Financial Report 2011

Management report and annual financial statement

SWISS POST

To the financial report

Accompanying documents
In addition to the financial report, the 2011 reporting includes the following documents:

– Annual report 2011 (incl. corporate governance)
– Table of key figures (comprehensive set of key figures)
– GRI index (summary according to the specifications of the Global Reporting Initiative)

These documents can be called up in electronic form at www.post.ch/annualreport.
The annual report is available also in printed form. It can be ordered at www.post.ch/annualreport.

Values are displayed in graphics true to scale
All the graphics are shown to scale to present a true and fair view.
20 mm is equivalent to 1 billion Swiss Francs.
Percentages in graphics are standardized as follows:
Horizontal: 75 mm is equivalent to 100 percent.
Vertical: 40 mm is equivalent to 100 percent.

Graphics and tables
- Current year
- Previous year
- Positive effect on profits
- Negative effect on profits

Languages
The financial report is available in German, English, French and Italian.
The German language version is binding.

Business predictions
This report contains business predictions. These predictions are based on current estimates and forecasts of the Management and the information currently available to them. These business predictions are not to be understood as guarantees of the future developments and results contained therein. The future developments and results are dependent on numerous factors; they include various risks and uncertainties and are based on assumptions that may prove not to be valid.

Financial report 2011

MANAGEMENT REPORT

ANNUAL FINANCIAL STATEMENT

Management report

Business activities

Markets

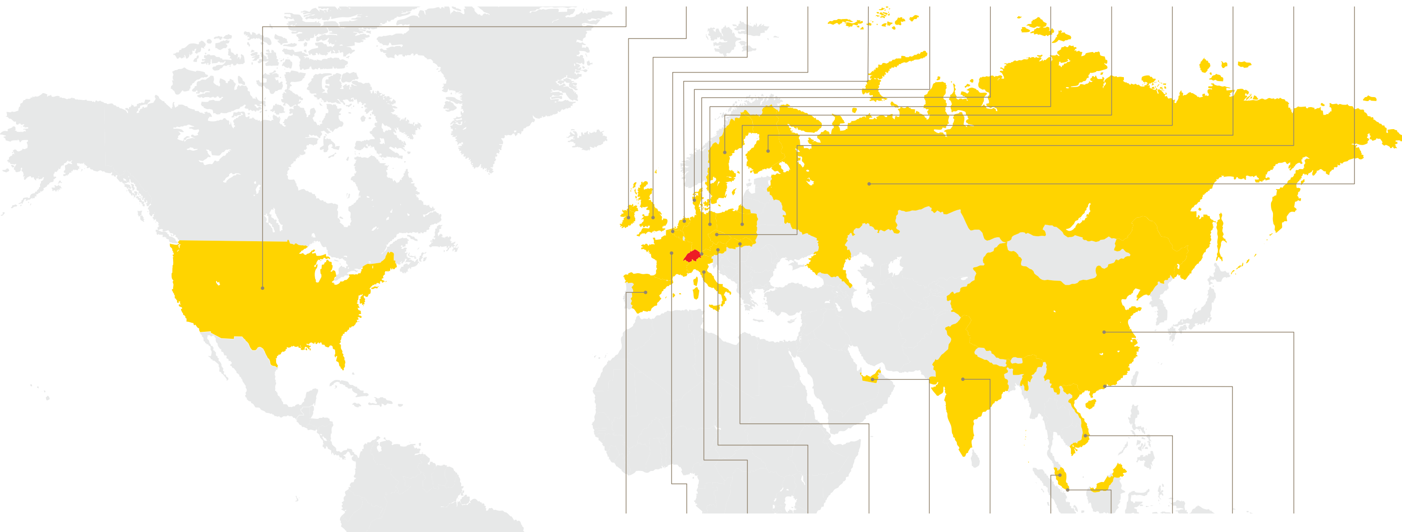
Swiss Post is active in these four markets:

- Communications market
  Letters, newspapers, promotional mailings, information/customer retention solutions and data management in Switzerland, in neighbouring countries and internationally
- Logistics market
  Parcels, courier/express services and logistics solutions within Switzerland and in neighbouring countries
- Retail financial market
  Payments, investments, retirement planning and financing in Switzerland
- Public passenger transport market
  Regional, municipal and urban transport plus system management in Switzerland and in selected countries abroad

Markets | Swiss Post abroad

2011

	US	IE	UK	BE	NL	DK	FL	DE	SE	PL	FI	CZ	RU
International letters	■		■	■	■	■		■	■		■		
Dialogue solutions			■ [2]					■ [2]	■ [2]	■ [2]		■ [2]	■ [2]
Document solutions	■	■	■			■ [1]	■	■	■ [1]	■ [1]			
Passenger transport							■						
E-business solutions			■					■					



	ES	FR	IT	AT	SK	AE	IN	MY	SG	VN	HK	CN
International letters	■	■	■	■			■	■	■		■	■
Dialogue solutions		■ [2]										
Document solutions	■	■	■	■	■	■ [1]			■	■		
Passenger transport		■										
E-business solutions									■			

1 Partners
2 Countries in which companies of the joint venture MEILLERGHP GmbH are active.

Swiss Post generates around 84 percent of its sales in competition. The remaining 16 percent is accounted for by the monopoly on letters of up to 50 grams, whereby Swiss Post is in competition with electronic offers. Switzerland accounts for 87.3 percent of sales and foreign countries account for 12.7 percent.

In Europe, North America and Asia, Swiss Post is represented by subsidiaries, franchise partners and sales agents (see illustration on the opposite page). Through cooperation with foreign partners it also has access to their global logistics networks. PostBus operates several bus networks in France via its own subsidiaries, as well as the entire regional transport network in Liechtenstein.

Network

Swiss sales network

Unique sales network with 3607 access points

The varied sales network of Swiss Post covers the communications, logistics and retail financial markets. Swiss Post offers its customers a uniquely efficient and dense network with 3607 access points (including 2,278 post offices and agencies as well as 1,226 home delivery services). At selected post offices (at four locations by the end of 2012), it offers customers a new appearance with open counters, a shop for brand-name articles as well as consulting areas for Swiss Post products and financial products from PostFinance.

Furthermore, there is a network of 43 PostFinance branches, 17 of which accept payment transaction instructions, and 933 Postomats. 184 employees of PostFinance advise small and medium-sized business customers directly on site at their companies.

At 725 PickPost points (per January 2012), parcels and letters can be collected sometimes well outside the usual post office opening hours. Additionally over 15,000 postboxes are available to customers throughout Switzerland. Primarily for business customers 46 acceptance points are also available.

Remaining customer oriented Swiss Post is developing its sales network further. It serves customers via the access point and sales channel that best fulfils their needs. With postal agencies, Swiss Post is present at attractive locations with long opening hours (sometimes also at weekends). Thanks to the home delivery service, customers can carry out key transactions right on their doorsteps. In urban districts where a large number of businesses are located, Swiss Post now provides tailored solutions that meet business customer needs, where packages and letters can be handed in for mailing. In conurbations Swiss Post relies on a variety of customer-oriented solutions such as agencies, integrated post offices, conventional post offices and post offices in retail zones.

In addition, private and business customers can access a variety of services online (virtual post office counter at www.post.ch and e-finance at www.postfinance.ch) as well as mobile applications (e.g. Post-App, PostFinance-App and PostAuto-App).

For more information on the further development of the basic service, see the Annual Report, Pages 17 and 30.

PostBus network

In the Swiss public passenger transport market, PostBus offers 812 PostBus routes covering 11,102 kilometres and 14,356 stops, as well as additional tourist routes, excursions, ScolaCar school buses and PubliCar dial-a-ride services. In 2011, PostBus expanded its service to cover an additional two million kilometres, and introduced nine new PostBus routes.

Customers

Swiss Post's communications and logistics customer base is comprised of several million individuals plus around 150,000 companies ranging from small businesses through to large multinationals.

The majority of Swiss Post's logistics revenue comes from its business customers. Its 147 key accounts are particularly important, generating just under 45 percent of business customer revenue. The Group's business customers include also 825 business customers with annual sales of between 250,000 and 2 million francs, 6715 retail customers (sales between 25,000 and 250,000 francs), and 30,283 small and medium-sized enterprises (SMEs, sales between 3,000 and 25,000 francs). The remaining 100,000 or so communications and logistics business customers are small companies with sales of up to 3,000 francs.

Communications and logistics market | Revenue from business customers
2011, customer structure and contribution to revenue [1]

Customer sales CHF per annum	**Customer category**	**Customers** Number	**Contribution to revenue** Percent
Over 2,000,000	Strategic accounts and key accounts	147	45%
250,000 to 2,000,000	Business accounts	825	
25,000 to 250,000	Retail accounts	6715	52%
3,000 to 25,000	Small and medium-sized enterprises	30,283	
Up to 3,000	Other	99,780	3%

1 Due to a change in method, all business operations of a customer have always been bundled in a single customer file since 2011.

The retail customer base of PostFinance presents a similar picture, being divided between companies and individuals. 0.3 percent of its business customers are banks, for which PostFinance handles primarily payment transactions.

Products, services and markets

Services provided for private customers and SMEs include letters, parcels, courier/express deliveries, financial services (payments, investments, retirement planning and financing) and public passenger transport services. In addition, Swiss Post offers customers a wide range of third-party products in 1,851 post offices. These products include vehicle tax discs, stationery, mobile phones and computers.

In the communications and logistics market, the products for business customers can be broken down into five service packages that facilitate customer orientation and access and make it even easier to perform postal transactions.

Communications market

1 – Letters
Various mailing options to Switzerland and abroad for individual letters and bulk mail (urgent items, priority items, non time-critical items, and letters with delivery tracking), collections and deliveries, automated franking solutions, address management and online tools.

2 – Direct marketing
Addressed and unaddressed promotional mailings in Switzerland and abroad, individually tailored direct marketing solutions, ancillary services, knowledge transfer, address verification and response management.

3 – Print media
National and worldwide deliveries of subscription newspapers and magazines, daily newspapers and monthly periodicals, local and regional newspapers plus early-morning and special deliveries, publishing logistics, subscription management, lettershop tasks, newsstand distribution and delivery services.

4 – Document and dialogue solutions
Mailroom services, document and information processing, document output processing, marketing solutions and campaign management, e-commerce, billing & payment solutions, customer relationship management (CRM) and loyalty programme management, security products and combined solutions for specific sectors such as healthcare.

Logistics market

5 – Logistics
National and international goods, freight and warehouse logistics (parcels, express, courier, small consignments and overnight deliveries), international shipments (up to 500 kg) to over 200 countries with additional services such as customs clearance, security logistics (ATM replenishment, transporting cash and valuables) and e-logistics (combining physical logistics with integrated IT solutions).

Retail financial market

Financial services for small, medium-sized and large companies, public bodies and associations include business accounts, e-deposito accounts, national and international payment transactions, customomized financing of liquidity, current and fixed assets, as well as solutions for accounts receivable and payable. Payment transaction solutions for banks and other financial institutions in Switzerland and Liechtenstein as well as loans to SMEs in a product partnership with Valiant Bank should also be mentioned.

Public passenger transport market

As a leading public transport company, PostBus provides over half of its services via private PostBus contractors. PostBus also provides system management and other management services such as managing projects relating to the roll-out of operations and passenger information systems as well as sales systems, including the entire IT infrastructure.

Carbon offsetting for mailings

With Swiss Post send your letters carbon neutrally

Customers can offset the CO_2 emissions generated by their mailings by means of a “pro-clima” surcharge. The surcharge for each item is equivalent to a tiny percentage of the selected domestic or international postal service. Swiss Post offsets these CO_2 emissions every year by investing the funds raised by these climate surcharges in selected Gold-standard climate protection projects and buying high-quality CO_2 emission certificates. For more information on carbon neutral products, see Pages 6 and 40 of the Annual Report.

Brands

The Swiss Post brand is one of the best known in Switzerland. Both business customers and the population at large perceive it as distinctly friendly and trustworthy. Swiss Post views its brand as a valuable asset to be cherished and carefully nurtured. With the innovation, flexibility and dynamism it symbolizes, the strong Swiss Post brand enables the company to stand out from its competitors.

The Group appears outwardly to its customers under the core “Swiss Post” brand and the “PostFinance” and “PostBus” flagship brands. Subsidiaries with their own identities also exist for a few selected services. Within Switzerland, the core brand appears as “Die Post”, “La Poste”, “La Posta”, and abroad as “Swiss Post”. PostBus also appears in Switzerland under a German, French, Italian or Romansh name. “PostFinance” is used throughout Switzerland.

Organization

Swiss Post is divided into seven Group units: PostMail, Swiss Post International (until 31 December 2011), Swiss Post Solutions and Post Offices & Sales operate in the communication market. PostLogistics focuses on the logistics market, PostFinance specializes in retail finance, and PostBus operates in the public passenger transport market. They are presented in the annual financial statements as individual segments.

Services comprises the central Real Estate, InfraPost Ltd, Information Technology, Corporate Purchasing, and Language Services functions. In the annual financial statements, the results for this unit are included in the Other segment.

Organization chart

31 Dezember 2011

Chairman of the Board Peter Hasler

Internal Auditing Martina Zehnder

Chief Executive Officer Jürg Bucher*

Legal & Staff Service Peter Nobs

Finance	Human Resources	Communication	Services
Thomas Egger, a.i.-*	Yves-André Jeandupeux*	Daniel Mollet	Hans-Christof Schregenberger

PostMail	Swiss Post International	Swiss Post Solutions	Post Offices & Sales	PostLogistics	PostFinance	PostBus
Ulrich Hurni*	Jean-Pierre Streich*	Frank Marthaler*	Patrick Salamin*	Dieter Bambauer*	Jürg Bucher*	Daniel Landolf*

* Member of Executive Management

Markets and media

Communications market	Logistics market	Retail financial market	Public passenger transport market
SWISS POST		PostFinance	PostBus

More information on the Board of Directors and Executive Management is to be found on Pages 45–47 and 49–51 of the Annual Report.

Group strategy

Swiss Post creates added value for Switzerland, the owner, the customers and the employees

Swiss Post's vision, together with its core values and strategy, are derived from postal legislation and the directives of its owner. These directives are set out in the strategic objectives of the Federal Council, which are revised every four years. Swiss Post's six strategic objectives are, in turn, derived from the Federal Council's objectives. Swiss Post seeks to create added value for Switzerland, for its customers, its employees and its owner by safeguarding the quality of its basic service, operating in a sustainable manner, increasing customer satisfaction and employee commitment, and meeting its owner's financial objectives by achieving a stable market position. It plans to ensure these objectives are met by means of five strategic thrusts.

Group | Strategy

2011 – 2013

Statutory mandate and strategic objectives set by the Federal Council

Vision and core values
We move people, goods, money and information

"reliable"	"value-enhancing"	"sustainable"

Strategic objectives
Create added value for

Switzerland	our customers	our employees	the owner
Basic service Regulatory certificate **sustainability** – 15,000 t CO_2 emissions/year by the end of 2013	**Customer satisfaction** at least 75 points (scale of 0 – 100)	**Employee commitment** at least 80 points (scale of 0 – 100)	**Finance** EBIT CHF 700 – 800 million **Market position** leading market position in Switzerland

Strategic thrusts

Exploit operating conditions	Offer high-quality services	Offer competitive prices	Generation of sustainable, profitable growth	Implement socially responsible cost efficiency

Strategic measures

Guidelines

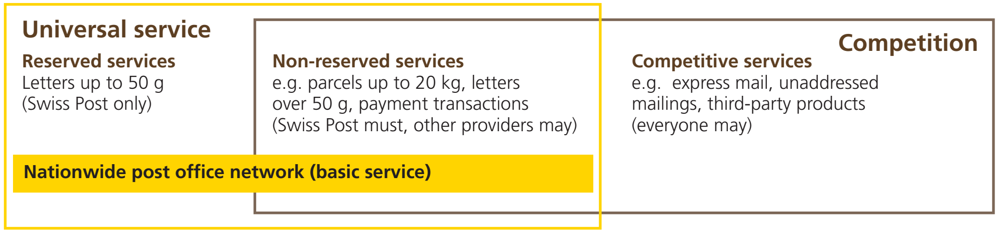
Legal mandate

Swiss Post has a legal mandate in Switzerland: it must provide an adequate universal service (postal and payment services) throughout the country on an equal basis, of a good quality and at reasonable prices.

With respect to the universal service, the legislation makes a distinction between reserved services that only Swiss Post is permitted to offer (letters up to 50 grams), and non-reserved services that it must offer, but for which it competes with the private sector. Swiss Post is permitted additionally, to a limited degree, to offer so-called competitive services. These services also are subject to free competition. In addition, Swiss Post is obliged to operate a nationwide post office network, and must ensure that the universal service is available in all regions and to all sections of the population within a reasonable distance.

Group | Statutory mandate

2011



Strategic objectives of the Federal Council

Innovative, cooperative, profitable, competitive

As the owner of Swiss Post, the Federal Council makes further stipulations in the form of its strategic objectives: It expects Swiss Post to offer the universal service in every part of Switzerland according to the same principles, to a high standard of quality and at reasonable prices, compete in the marketplace as a customer-oriented, self-financing and innovative enterprise, and prepare for the forthcoming comprehensive revision of postal legislation.

Swiss Post is expected to develop new offers, services and solutions, enter into joint ventures, create profitable growth, safeguard its earning power and exploit its potential to increase efficiency. The Federal Council stipulates also that Swiss Post must develop its core business in the communication (especially letters, dialogue marketing and document solutions), logistics, retail financial and passenger transport markets, as well as ensuring a high standard of service.

Swiss Post must build on its leading position in Switzerland. Over and above the basic service, it is also mandated to seek growth opportunities abroad.

The owner expects profit and value added

The Federal Council expects Swiss Post to maintain and if possible increase the company's value in the long term, achieve an industry-standard result within universal and competitive services, and finance its investments from the cash flow it generates. The profits it makes serve to strengthen the equity, finance the pension fund and pay dividends to the Confederation.

In addition, Swiss Post must, within its operating confines, pursue a corporate strategy that is committed to ethical and sustainable principles and take account of regional concerns in the various parts of Switzerland in its organizational structure. As a progressive employer, Swiss Post must pursue a socially responsible human resources policy, and offer fair employment conditions that not only ensure it remains competitive, but also enable its employees to achieve a healthy work-life balance.

Vision

Swiss Post's actions are guided by its vision and its core values:

**We move people, goods, money and information
in a reliable, value-enhancing and sustainable way.**

Developments

Trends

Legal and political: deregulation

The deregulation brings pressure to supply a self-financing basic service

Generally speaking, network industries are being increasingly deregulated. At the same time, these changes are being increasingly questioned: Have the original objectives of this deregulation been achieved? Nevertheless, the European Union will have completely liberalised the postal sector by 2013. Previous experience in the EU has shown that, even in fully deregulated letter markets and in selected market segments, competition develops only slowly. In contrast, competition in the parcel and express market is working well. In Switzerland the legislator has decided initially against hastily opening up the entire letter market. Three years after the new postal legislation comes into force at the latest, however, the Federal Council must present Parliament with an evaluation report on how to proceed. Swiss Post is prepared for the complete abolition of the residual monopoly on domestic letters of up to 50 grammes, and generates already over 80 percent of its turnover in the freely competitive market. The remaining 20 percent is generated in competition with electronic forms of communication. In a liberalised market, the challenge to the legislator and postal companies is in creating the conditions for continuing to ensure a high-quality and self-financing basic service in Switzerland. It is forseeable that, due to decreasing letter volumes, the residual monopoly will be insufficient to finance the basic postal service in the medium to long term. The major challenge faced by Swiss Post is therefore not the abolition of the residual monopoly, but rather technological and social changes and the resulting recasting of customer demands.

Social: urbanization and customer needs

Simple solutions are a real customer need

Urbanization is leading to increased levels of traffic. This is affecting Swiss Post in several different areas – efficient city logistics, mobility solutions for commuters and cost-effective networks. Increasing complexity is strengthening the demand for simple solutions, and there is also a growing focus on traditional values such as quality, reliability and security. “Digital natives” (people born in or after 1984, who have grown up with digital technology) are increasingly characterizing business models, communication channels and the features included in service offerings.

Technological: digitization

The digitization of people's lives is being driven by the exponential development of technology (processor and memory capacity, bandwidth, wireless communications and mobile devices). These are continually leading to increased efficiency, new applications and a reduction in the inhibition threshold for the substitution of physical data media with their electronic counterparts. The convergence of services is enabling companies to tap into new markets. For example, Swiss Post has the opportunity to network both physical and digital solutions, and also to develop as an end-to-end communications provider.

Economic: globalization and competition

The globalization of competition is increasing pressure on Swiss Post to exploit comparative locational advantages in order to optimize costs. At the same time, disadvantages resulting from size or geographical coverage can be countered by joint initiatives. The increased demand for local/regional services and products based on emotional and economic factors provides opportunities for the uniquely strong local presence of Swiss Post.

Environmental: sustainability

The scarcity of natural resources is strengthening the awareness of customers, investors and legislators of the importance of environmental sustainability. Demand for “green” products is on the increase. An optimum mix of energy efficiency and renewable energy is becoming a critical factor for companies seeking to combat escalating costs or, in certain cases, gain new competitive advantages.

Group | Trends in the Environment

2011

Market trends

The market for advertising mail has great potential

Communications market

In the letters market Swiss Post provides Switzerland's basic postal service and, with a residual monopoly on letters up to 50 grammes, it will be able to fulfil this mandate in the medium term. Over half of all mail including newspapers, unaddressed mail and addressed mail over 50 grammes is already deregulated, but the primary challenge for PostMail and for Post Offices & Sales remains competition from electronic media. The increasing switching of customers to electronic channels is causing a long-term drop in letter volumes, particularly addressed letters, and a falling demand for conventional post office services. Because of new providers in the letters market overall competition is becoming more intense and pressure on margins is rising, increasing the need for cost and price flexibility within the industry and a targeted expansion of the postal network. On the other hand, the market for promotional mailings offers opportunities for growth. The international letters market also is fiercely competitive, and further mergers and partnerships can be expected in order to secure market positions. Driven by technological possibilities, major corporations are increasingly outsourcing their document and customer information processing, since this does not necessarily form part of their core business. There is still great potential for growth in this area, which Swiss Post Solutions is gradually tapping into with innovative, tailor-made customer solutions.

Distance trading in e-commerce is a power in logistics development

Logistics market

Competition in the logistics market continues to grow. It is characterized by an increasing level of internationally targeted, aggressive competition and growing pressure on prices. This is spreading more and more to parcels and to express deliveries as well. Customers, particularly business customers, are sensitive to prices but continue to expect high quality. Marked rises in HR costs cannot therefore be offset by re-pricing. The logistics market overall has huge potential for growth, driven by a meteoric rise in cross-border e-commerce business. The challenge for logistics is to convert customers' global procurement requirements into new, profitable business models. At the same time, the boundaries between parcel logistics and goods logistics are becoming increasingly blurred, since more and more business customers demand a single solution provider for all their logistics requirements. With digitization and the increased transparency of business processes, customers want electronic data links along the entire length of the transport chain, even within the various companies, to accompany the actual transportation of goods. In goods logistics Switzerland is having to adapt to the regular-interval timetables that are becoming increasingly common on international routes. The introduction of environmental and redirectional taxes such as CO_2 and the heavy goods vehicle taxes are having a direct impact on the logistics margins that can be achieved.

Retail financial market

Make mobile electronic business processes available to customers

The financial crisis has had a marked impact on the financial sector in recent years. The interventions of the European Union and the International Monetary Fund in 2011 to support national budgets, and the global currency interventions to strengthen foreign trade are signs of the continuing instability of the international financial system. We consider the situation in Switzerland to be basically stable, even though the further developments of interest rates and the Swiss franc are subject to uncertainties. The sight and savings deposits of our customers continue to increase, not least as a direct result of the unclear prospects for the future. The national retail financial market is increasingly saturated resulting in sinking margins in the mortgage and investment business. In order to remain successful in this competitive market, it is necessary to differentiate and to develop product value for customers. PostFinance can do this by expanding its pioneering role in e-finance and developing online and mobile business platforms.

Public passenger transport market

Combined environmentally friendly mobility is a growing market

The mobility behaviour demands more and more flexible, versatile and combinable mobility products that will shape public transport. The shared use of bicycles and e-bikes in urban areas, for example, is becoming recognised as an ideal supplement to private and public means of transportation. At the same time, environmental change is increasing the demand for environmentally friendly mobility. The industry is undergoing a technology spurt and is so becoming more investment intensive.

Owing to scarcer financial resources following the economic crisis, the Confederation and the cantons, as purchasers of regional public transport services, will be less able to subsidise transport companies. Nonetheless public transport mobility requirements are constantly increasing, so a reduction in services is out of the question, and services will have to be provided at lower costs and with less public-sector support. An increase in tender procedures for services can be expected. The Swiss market is not particularly attractive to foreign companies, since growth is slow and the larger urban networks are for the most part a protected market. Competitors in the international market are becoming significantly larger, not least due to company mergers. PostBus will have to maintain its position on an increasingly competitive national and international stage.

Framework

Swiss Post's guidelines and its overall understanding of key strategic issues are embedded in its strategic framework. Within these guidelines, its operating units have the opportunity to respond promptly to current market requirements.

In particular, the strategic framework contains statements on understanding customers, the core business, market positions, competitive strategies, geographic focus, profitability, sustainability, innovation and management style.

Goals

Swiss Post sets its priorities in the form of six strategic objectives, and determines how it intends to meet the challenges of its operating environment and fulfil its terms of reference.

Added value for the owner:
- Swiss Post intends to achieve an annual EBIT of 700 to 800 million francs (see Page 21).
- It seeks to assert its market leadership in Switzerland (see Page 18).

Added value for customers:
- Swiss Post will attain a consistently high customer satisfaction rate of 75 points (on a scale of 0 to 100) (see Page 31).

Added value for employees:
- Employee commitment will remain at the high level of 80 points (on a scale of 0 to 100) (see Page 32).

Added value for Switzerland:
- Swiss Post will provide a basic service of an outstanding quality (see Page 32).
- It will reduce its annual CO_2 emissions by 15,000 tons by the end of 2013 (see Page 32).

Thrusts

In order to achieve its objectives, Swiss Post is pursuing five strategic thrusts:

- Offer high-quality services
  Swiss Post offers its private and business customers services of a consistently high quality, from the development of products through to day-to-day customer contact. It therefore ensures a high level of customer focus, continuous improvement of services and processes, new innovative products, and first-rate quality control and quality assurance.

- Charge competitive prices
  In the future as in the past, Swiss Post is dependent on its ability to charge competitive prices and will always aim to provide high-quality services. Thus it seeks particularly to finance a well-functioning basic service.

- Secure long-term profitable growth
  Swiss Post intends to ensure its growth is sustainable and profitable. In Switzerland and abroad, it follows purposefully a growth plan that takes the long view and proceeds step by step. This enables it to regulate and safeguard the profitability of its growth.

- Ensure socially responsible cost efficiency
  In an increasingly dynamic marketplace, it is imperative that Swiss Post ensures and improves efficiency. In the communications market in particular, it is facing far-reaching changes. It intends to continue to meet these challenges with balanced and socially responsible solutions.

- Optimal exploitation of operating conditions
  The new regulatory framework resulting from postal legislation is key to the future development of Swiss Post in its markets and segments. Swiss Post is prepared for the transformation to a special limited liability company according to public law, and is ready for PostFinance being subject to the Swiss Financial Market Supervisory Authority (FINMA) supervision.

Markets

The strategic objectives and thrusts are ensured by the following market strategies:

Communications

PostMail
The core business of PostMail is the acceptance, sorting and delivery of letters, newspapers and promotional mailings for all customers in Switzerland. Through ongoing optimization of its logistics and information technology, PostMail is streamlining its processes and cutting costs. By deploying the latest technology, PostMail is striving to attain maximum reliability and quality at an excellent price/performance ratio. Letters are specifically positioned as a means of communication that will stand out from other competing media due to its stronger effect. Swiss Post will continue to invest in the letter business by further optimising its services and exploiting new growth opportunities. This includes also the development of innovative solutions and products for the interface between the physical and the electronic world.

Swiss Post International
Through its own efficient companies and alliance partners Swiss Post International intends to consolidate its market leadership at a high level and to defend its market share in the Swiss import/export business. Abroad, Swiss Post International has a presence in the major mail markets and is aiming to achieve even better penetration of the European market as well as to exploit specific growth opportunities in various countries overseas. Swiss Post International intends to expand further its sales strategy by systematically focusing on the needs of customers. It will concentrate its efforts on small and medium-sized enterprises, and on serving business customers in the mail order, international press and publishing, finance and tourism sectors, as well as national postal organizations, by providing tailored products and value added services. To increase the market focus and competitiveness, Swiss Post International will be assigned to PostLogistics (parcel business) and PostMail (letter business) starting in the coming business year.

Swiss Post Solutions
Swiss Post Solutions provides business customers with innovative, IT-based document management solutions along with solutions that enable improved communication with their customers. The aim is to perform selected management processes more efficiently and help companies grow by supporting customer acquisition and retention. Swiss Post Solutions is concentrating in particular on the interface between electronic and physical information processing. Swiss Post Solutions delivers solutions for corporate information management, customer interaction management, ePost services and cards, primarily in the geographical core markets of Switzerland, Germany, the United Kingdom and the United States of America.

Post Offices & Sales
Post Offices & Sales is seeking to make its services even more customer-friendly and cost-effective. The unit is therefore constantly developing its sales network in line with customer behaviour, while keeping a close eye on costs. The range of logistics products for private customers will be further simplified.

Logistics

PostLogistics
PostLogistics wants to position itself as the quality and cost leader in the four submarkets of CEP (courier, express, parcels), small consignments and warehousing, international as well as overnight logistics. Its core competence lies in the CEP segment. It intends to defend and further develop this area. In small consignment and warehousing logistics, as well as in overnight logistics, PostLogistics offers solid add-on services. In the international arena, PostLogistics plans to strengthen its presence and safeguard its connections with cross-border networks.

Retail Finance

PostFinance
PostFinance focuses consistently on its core business and wants to be the first choice for Swiss private and business customers who want to administer their finances independently. Customers can freely choose how they wish to contact PostFinance and be served. With the first integrated post offices, PostFinance will make even greater use of, among other things, the wide physical network of Swiss Post. It intends to remain the number one in national payment transactions. It can do this by expanding its pioneering role in e-finance and developing its businesses via mobile platforms. In international payment transactions, PostFinance aims to grow further as the leading financial institute. It offers its customers a comprehensive range of simple, understandable and inexpensive products for payment transactions and deposit accounts. In the areas of investment, retirement provision and financing, PostFinance offers basic services. For major corporations, the financial service provider continues to develop individual solutions in payment processing and in liquidity management.

Public passenger transport

PostBus
PostBus intends to continue building on its leadership in public bus transport, differentiate itself from the competition with the best price/performance ratio, and increasingly position itself as a provider of sustainable and combined mobility services. In its core business, PostBus aims to remain the number one in regional transport in Switzerland, to strengthen its market position in towns, conurbations and in system and mobility solutions, and to seek targeted growth abroad.

Financial controlling

Maintaining the company's value. Self-financing of investments

The financial controlling of the Swiss Post Group aims to achieve the financial objectives of the Federal Council. In accordance with these targets of the owner, Swiss Post is expected to maintain, and if possible increase, the company's value in the long term. Value added is created when the adjusted operating result exceeds the cost of the average invested capital. In addition to the overall result, this approach factors in also the risks and the capital employed. The Federal Council expects further that Swiss Post will be able to finance its investments from the generated cash flow. This means that no third-party funds may be used for financing investments.

Target agreements and accountability for results

In order for the above mentioned objectives to be achieved, the financial managemet of the Swiss Post Group generally operates with target agreements and accountability for results. All business units are responsible for achieving the agreed objectives. In addition to the economic value added, which is included as a key figure in the calculation of the variable performance component of management remuneration, the operating result is an important financial objective. The units have a large degree of freedom within the framework of strategic planning and the budget. For individual plans such as investments, projects or acquisitions of shareholdings with a considerable financial impact or for plans with strategic importance, the Executive Management or the Board of Directors of Swiss Post decides according to the funds required or the type of business.

Swiss Post is considered from two different points of view: that of the management structure and that of the legal structure. These different structures are taken into account in the reporting, which is based on the two main instruments of management reporting and consolidated financial statements. The management reporting shows the contribution of the Group units and markets to the result, represents the financial success of the strategic market fields and product groups and provides information on the attainment of the annual objectives as well as the implementation of the strategic measures. The management reporting first of all serves the management of the units and the Group and is based on the same set of basic values as the consolidated financial statements.

The consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) represent the economic development of the legal units Swiss Post and the Group companies. It is thus above all used for reporting on the overall company and the segments. Here the primary segment reporting (according to Group units) and the secondary reporting (according to domestic/foreign or regions) in accordance with IFRS 8 are distinguished.

The management of Swiss Post and the units are based on the following instruments:

– Consolidated statement of comprehensive income, balance sheet and cash flow statement
  Consolidated statement of comprehensive income, balance sheet and cash flow statement form the basis of the financial management at unit and Group level. The reporting on the statement of comprehensive income takes place monthly, that on the balance sheet and cash flow statement quarterly.

– Annual targets
  The annual targets are to help achieve the quantitative/qualitative objectives formulated in the strategies. They cover the areas of market, production of goods and services, resources, management and organisation. The success of the annual targets is checked quarterly or semi-annually.

– Key figures
  The key figures are divided up into finances, customers, employees and processes. On the one hand, they reflect the economic and financial development of the units and the Group. On the other hand, they form the basis for target agreements between the Group management and the managers of the units. The development of the key figures is reported on in the framework of the monthly reporting.

– Identification of strategic market fields, product group accounting and strategic measures
  The identification of the strategic market fields and product groups as well as the strategic measures is used as a financial management tool for the Group units. The reporting for finances is done semi-annually.

– Commentary
  The comments are an integral component of the reporting on all levels. They are designed to provide insight into the important developments, plans as well as problems and measures of the corresponding unit as well as include the assessment of the reporting. Comments are made on the change from the previous year and the budget deviation as well as the attainability of the expectations. The periodicity of the commentary depends on the key figure on which it is based and the deviation.

Performance

Key figures

Group profit practically on par with previous year

The operating result (908 million francs) as well as the group profit of 904 million francs could be kept nearly on par with the previous year despite a difficult economic climate. Operating income fell by 137 million francs when compared to the previous year, the decrease being due primarily to the lower operating income from logistics services. The positive income development of financial sservices was thereby overcompensated. The operating expenses of 7,691 million francs were reduced to an extent nearly congruent with the income development.

Group| Key figures
2011 with previous year for comparison

		2011	2010
Results			
Operating income	CHF million	8,599[4]	8,736
Generated abroad	CHF million[1]	1,095[4]	1,218
	% of operating income	12.7	13.9
Reserved services	CHF million[2]	1,378	1,469
	% of operating income	16,0	16,8
Operating result	CHF million	908	930
As a share of operating income	%	10.6	10.7
Generated abroad	CHF million[1]	52	24
	% of operating result	5.7	2.6
Group profit	CHF million	904	910
Employees			
Headcount at Swiss Post Group	Full-time equivalents	44,348	45,129
Abroad	Full-time equivalents	6,645	7,255
Financing			
Total assets	CHF million	108,254	93,310
Customer deposits (PostFinance)	CHF million	100,707	85,725
Equity	CHF million	4,879	4,224
Investments			
Investments	CHF million	429	364
Other property, plant and equipment, intangible assets	CHF million	239	176
Operating property	CHF million	168	163
Real estate held as a financial investment	CHF million	11	–
Shareholdings	CHF million	11	25
Investment funded out of its own income	%	100	100
Value generation			
Net cash from operating activities	CHF million	19,703	–2,271
Value added	CHF million[3]	5,187	5,268
Economic value added	CHF million	390	452

1 Definition of "abroad" in accordance with secondary segmentation in the Financial Report.
2 Letters up to 50 g.
3 Value added = operating result + staff costs + depreciation – gain/loss on the sale of property, plant and equipment, intangible assets and investments.
4 Disinvestment of group companies in communications market, Swiss Post Solutions

Additional key figures and explanations can be found in the table of key figures (see Page 114).

Drivers

The economy

The world economy improved again somewhat after a weak first half-year. It profited from the resumption of production after the earthquake catastrophe in Japan as well as from the decrease in raw material prices in the second half-year. Especially in China, the USA and Japan, the overall economic activity gained somewhat in momentum. In contrast, the economic development in the Euro zone remained weak. In Switzerland, the economic dynamics cooled off considerably in the second half-year. In particular, the massive appreciation of the franc in the summer put a considerable strain on the Swiss economy and exports decreased markedly. At the same time, the domestic final demand stagnated. Low profit margins and growing worries about the international environment slowed down the labour demand of businesses. The introduction of the minimum exchange rate corrected the massive overvaluation. Nevertheless, the situation remains difficult for large segment of the economy. The actual 2011 gross national product (GNP) of Switzerland, the most important sales market of Swiss Post, increased, according to early estimates, by 1.9 percent in real terms over the previous year.

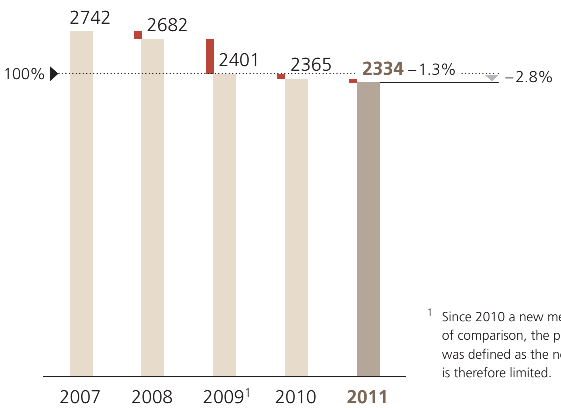
Communications market

Poor economy had different effects on the communications market

Products in the communications market developed variously. The letter business continued generally to be strong. The number of addressed letters through PostMail and post offices decreased only slightly compared to the previous year. Unaddressed mail followed the general economy, and here in 2011 Swiss Post felt the slowing economic recovery. The volume of delivered newspapers was negatively affected by changes in customers' habits. In comparison to the previous year, the volume of delivered newspapers decreased by around 2 percent. Post Office & Sales had to accept a decrease in payment transactions completed at the post office counter. In contrast, the net sales of non-postal brand-name products saw positive growth. At Swiss Post International the import and export letter volumes and the import parcel volumes decreased on the previous year. At Swiss Post Solutions the transition of the Direct Mail division to the joint venture with Austrian Post had a strong negative affect on the income from services.

Small drop in addressed letters compared to previous year

Communications market | Addressed letters
2007 to 2011 deviation from previous year and over three years
2009 = 100%[1], number in millions



[1] Since 2010 a new method has been used to calculate letter volumes. For the purposes of comparison, the previous year's figures were adjusted accordingly and the figure for 2009 was defined as the new base value. Comparability with earlier results from 2007 to 2008 is therefore limited.

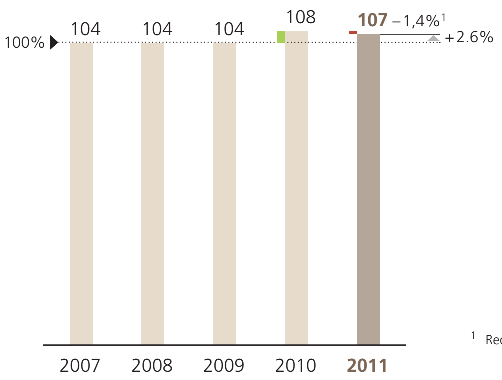
Logistics market

Decrease due to previous year's special mailing effects

The logistics sector continues to be dominated by increasing competition and price pressure, both nationally and internationally. Customers are price-sensitive and have high expectations with regard to quality. As a result of deregulation and changing customer needs, the courier, express and parcels segment is coming to overlap more and more with traditional freight forwarding. Logistics customers are increasingly seeking providers who can offer a one-stop shop for all the services they require. Compared to the previous year, the volume of parcels has decreased by 1.4 percent. At the same time, however, it must be noted that the previous year's value benefited from special mailing effects.

Decrease compared to previous year due to special effects

Logistics | Parcels
2007 to 2011 deviation from previous year and over five years
2007 = 100%, number in million



[1] Reduction of 1.4 percent based on unrounded values.

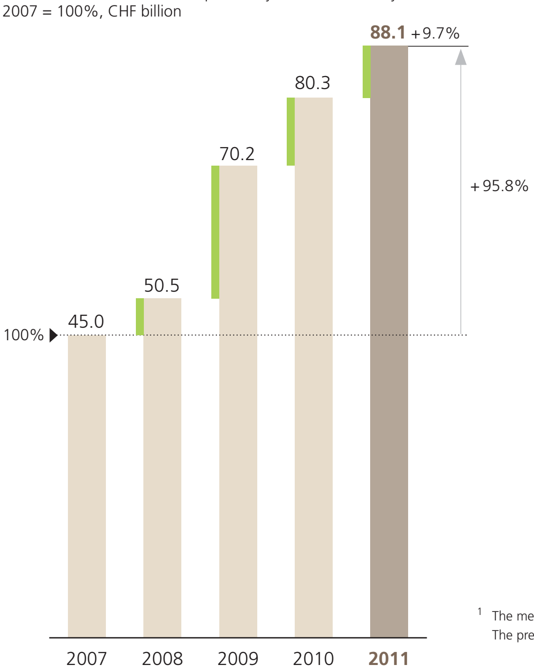
Retail financial market

Unrestrained inflow of customer deposits

PostFinance recorded a continuing year-on-year net inflow of customer deposits. The financial arm of Swiss Post continues to enjoy the trust of customers who manage their own finances and who appreciate a simple and inexpensive range of services. In 2011 the average customer deposits were 88,084 million francs. This represents an increase of 9.7 percent compared to the previous year.

Continuous increase in average customer deposits

Retail financial market | Average customer deposits (PostFinance) [1]
2007 to 2011 deviation from previous year and over five years
2007 = 100%, CHF billion



[1] The method of calculating average customer deposits was changed per 1 January 2009. The previous year's amounts were adjusted accordingly.

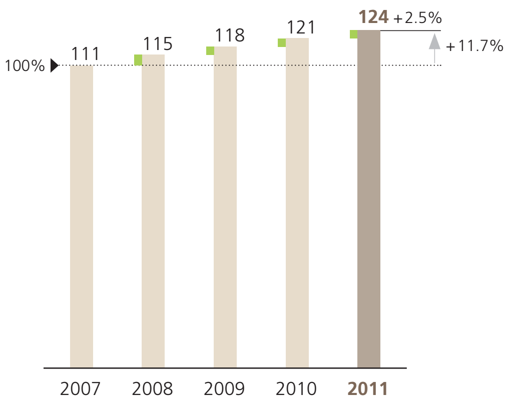
Public passenger transport market

PostBus expanded its services further

The national public passenger transport market is growing steadily. However, since the budgets of public sector organizations that act as contracting bodies for transport services are being squeezed, the pressure on prices is set to increase. Major foreign providers submit bids for some contracts in Switzerland, but to date have been unable to gain a foothold in the predominantly locally organized and densely integrated Swiss public transport network. PostBus has operated urban bus networks and bus routes in France and in the Principality of Liechtenstein for several years. PostBus Switzerland transported a total of 124 million passengers in 2011, which represents an increase of around 2.5 percent over the previous year.

The public passenger transport market is growing steadily

Public passenger transport market | Number of passengers (Switzerland)
2007 to 2011 deviation from previous year and over five years,
2007 = 100%, number of passengers in millions



Profit situation

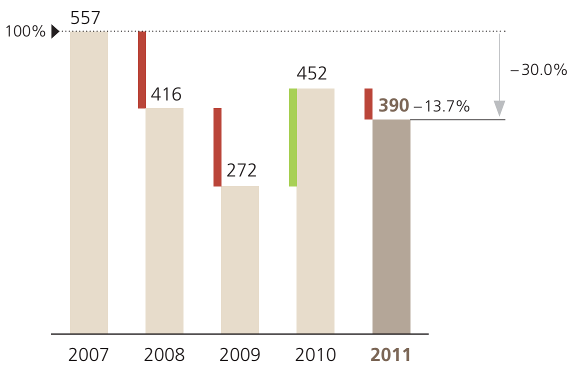
Economic value added

Higher capital costs reduced economic value added

On 31 December 2011 Swiss Post met the financial expectations of the Federal Council having generated an economic value added of 390 million francs. This is around 14 percent less than in the year before (452 million francs).

Higher capital costs reduced economic value added

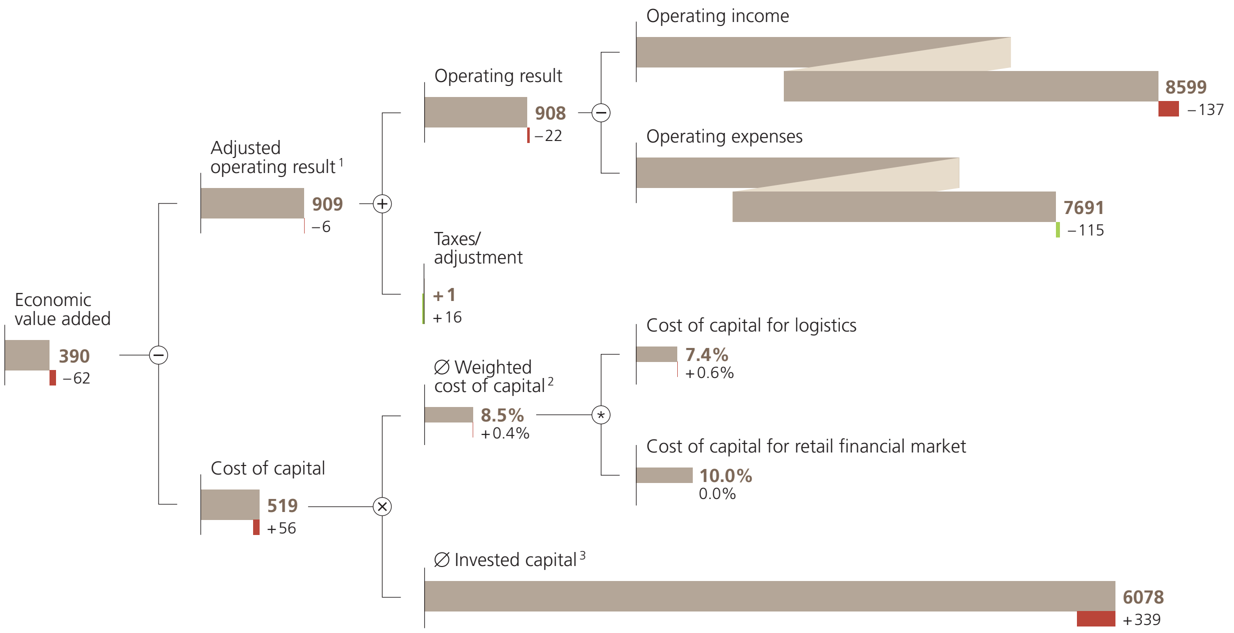
Group | Economic value added
2007 to 2011 deviation from previous year and over five years,
2007 = 100% CHF million



The reduced value is due to the lower adjusted operating result and increased capital costs resulting from higher average capital invested. The average capital invested increased at PostFinance because of increased equity requirements.

Higher capital costs reduced economic value added

Group | Economic value added
2011 with change from previous year
CHF million, percentage points



⊛ Weighted with the average invested capital in the logistics units and in the retail financial market (PostFinance).
1 Net operating profit after tax (NOPAT).
2 Corresponds to weighted average cost of capital after taxes (WACC) for logistics units and equity cost of capital for the retail financial market (PostFinance).
3 At PostFinance corresponds to average ∅ equity in accordance with Basel II (CHF 2,603 m) and at logistics units to the average ∅ net operating assets (NOA) of CHF 3,475 m.

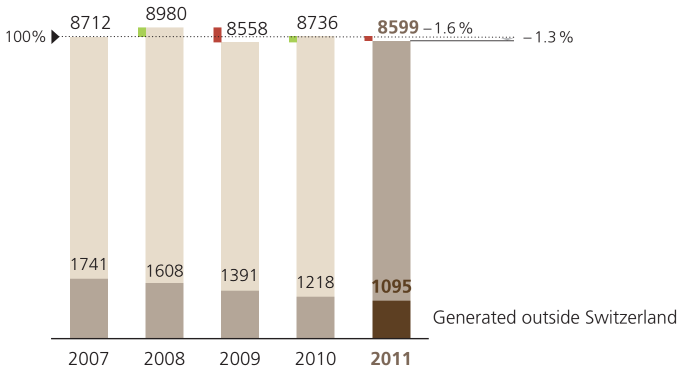
Statement of comprehensive income

Operating income

In 2011 operating income stood at 8,599 million francs (previous year: 8,736 million francs). This represents a decrease of 1.6 percent. The decrease in logistics services net sales and in the net sales from resale merchandise could not be fully compensated for by the higher income from financial services. In a five-year overview, the operating income has decreased by 113 million francs.

Drop in operating income of 1.6 percent compared to previous year

Group | Operating income
2007 to 2011 deviation from previous year and over five years,
2007 = 100% CHF million

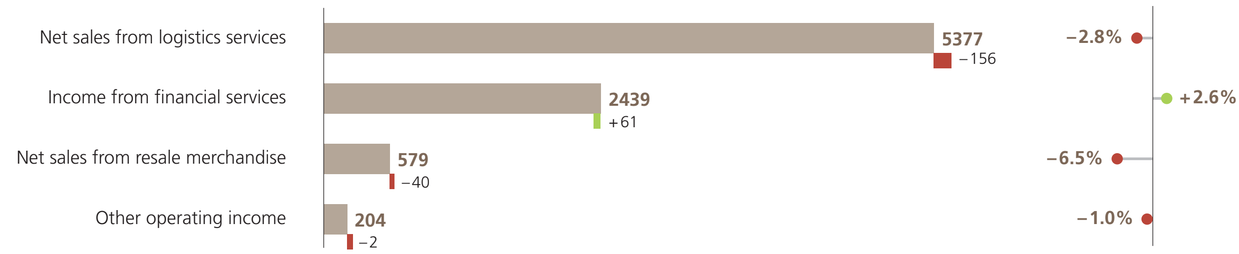


Higher income from financial services reduced decline

Net sales from logistics services fell by 156 million francs compared to the previous year. This is due also to a change in the way that realised income is measured. In addition, lower exchange rates and the disposal of Group companies in the communications market (Swiss Post Solutions) led to a lower sales from logistics services. The net sales from resale merchandise decreased above all in the logistics market due to a changed accounting system that does not affect net income, and a lower volume of fuel sold. The increase in income from financial services is explained mainly by the higher interest earned, and net trading income in the retail financial market (PostFinance). In contrast, the other operating income decreased slightly compared to the previous year.

Higher income from financial services reduced decline

Group | Operating income
2011 with change from previous year
CHF million, percent



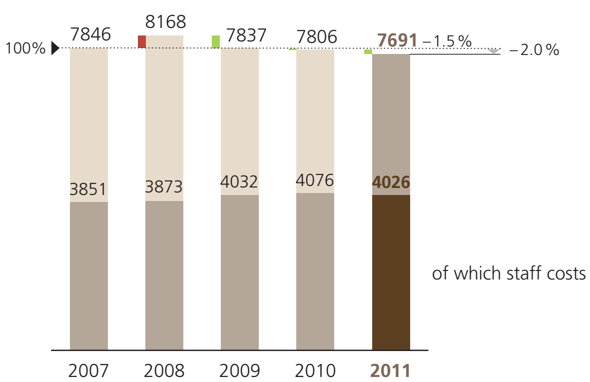
Operating expenses

The lower operating expenses helped to compensate for the drop in operating income

In a five-year review, operating expenses decreased by 155 million francs. This decrease is due mainly to lower other operating expenses that were partially compensated for by higher staff costs and expenses for financial services.

Compared to the previous year, the operating expenses were 1.5 percent lower

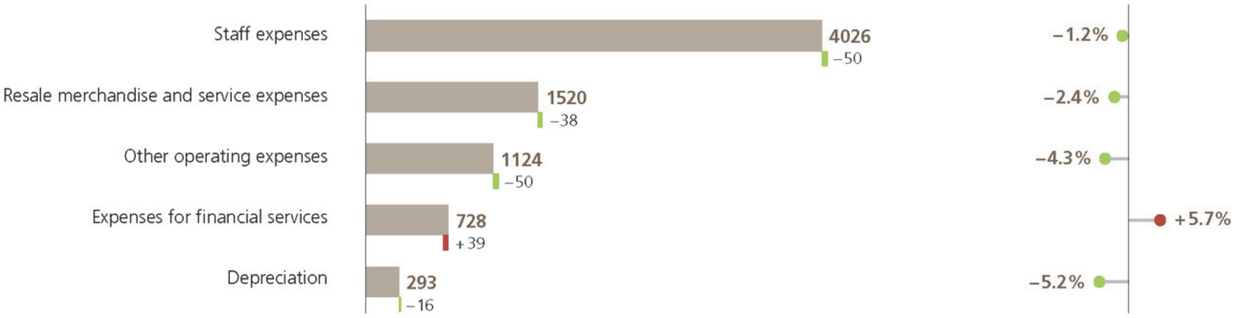
Group | Operating expenses
2007 to 2011 deviation from previous year and over five years,
2007 = 100% CHF million



The decrease in staff costs in comparison to the previous year resulted above all from the lower average headcount. The resale merchandise and services expenses decreased for the same reasons as did the net sales from resale merchandise. The increase in the costs for financial services is due to the higher writedowns. The operating expenses decreased by 4.3 percent in comparison to the previous year. The expenses for depreciation decreased mainly as a result of the lower depreciation of operating equipment; 16 million francs compared to the previous year.

The lower operating expenses helped to compensate for the drop in operating income

Group | Operating expenses
2011 with change from previous year
CHF million, percent

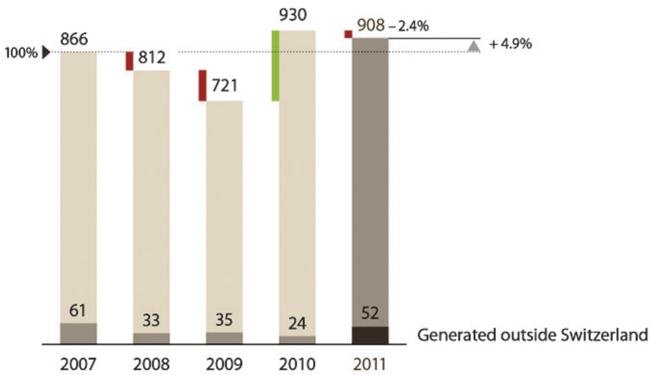


Operating result

The negative development of the operating result compared to the previous year resulted above all from the lower net sales of logistics services, which could not be completely compensated for by reductions in expenses. The above mentioned expense and income development resulted in an operating return decrease of 22 million francs. This corresponds to a decrease of around 2.4 percent in comparison with the previous year.

Achievement of a high operating result despite a difficult environment

Group | Operating result
2007 to 2011 deviation from previous year and over five years
2007 = 100% CHF million



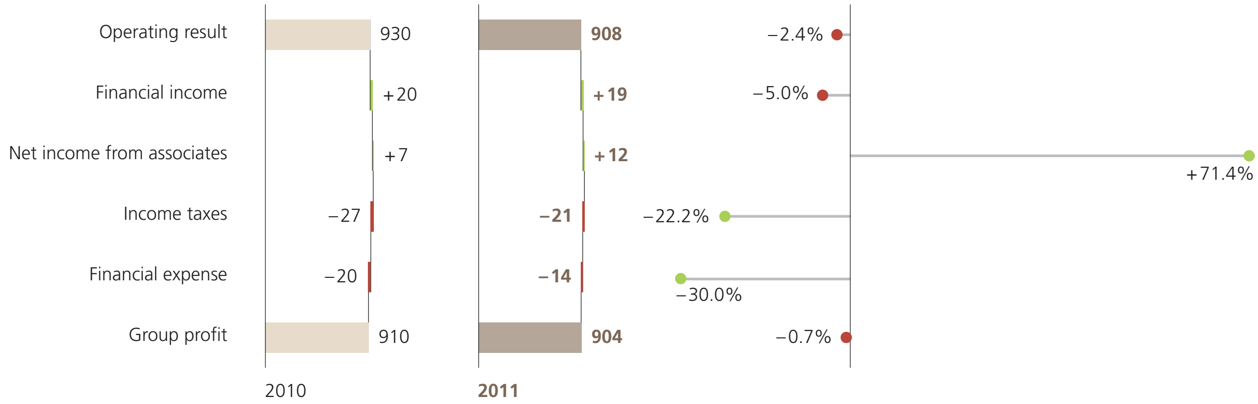
Group profit almost reached previous year's high value

Group profit

The income from associated companies increased by 5 million francs compared with the previous year and amounts to 12 million francs. In contrast, the financial expense was positively affected by lower foreign-currency losses and decreased by 6 million francs. The financial income decreased by one million francs in comparison with the previous year. The higher profits from the sales of financial assets were offset by lower foreign-currency profits. Income taxes fell by 6 million francs to 21 million francs. The decrease is due to lower deferred taxes.

The group profit nearly reaches previous year's high value

Group | Transition from operating result to group profit
2010 and 2011 with change from previous year
CHF million, percent



Segment results

Overview

The segments contributed differently to the positive operating result.

Group | Segment results 1 January to 31 December 2011 with change from previous year CHF million, percent	Operating income		Operating result [1]		Margin [2]	
	2011	2010	**2011**	2010	**2011**	2010
Communications market	4,826	5,017	121	147	2.5	2.9
PostMail	2,575	2,619	210	199	8.2	7.6
Swiss Post International	780	788	51	49	6.5	6.2
Swiss Post Solutions	549	665	11	7	2.0	1.1
Post Offices & Sales	1,706	1,769	–151	–108		
Logistics market						
PostLogistics	1,439	1,478	151	164	10.5	11.1
Retail financial market						
PostFinance	2,451	2,389	591	571		
Public passenger transport market						
PostBus [3]	719	702	33	28	4.6	4.0
Other [4]	945	968	12	20		
Consolidation	–2,565	–2,642				
	8,599	**8,736**	**908**	**930**		

1 Operating result corresponds to result before consideration of non-operative financial result and taxes (EBIT).
2 The retail financial market (PostFinance) uses the key figure of return on equity; no margin is calculated for "Others", negative margins are not shown.
3 In the area of public regional transport, PostBus is subject to the directive of the UVEK on the accounting of franchised transport businesses (RKV). There are differences between the RKV and the IFRS.
4 Includes service units (Real estate, Information Technology, Corporate Purchasing and Language Services) as well as management units (Human Resources, Finance and Communication).

PostMail: Exceeds previous year's result due to strong letter business

Swiss Post International: Operating result on par with previous year

Swiss Post Solutions: Gratifying development of the operating result

Communications market

PostMail

PostMail achieved an operating result of 210 million francs in 2011 and thus exceeded the previous year's key figures of 11 million francs. The operating income decreased by 44 million francs in comparison to the previous year and reached a value of 2,575 million francs in 2011. 27 million francs of the decrease are due to changes in estimates in the measurement of deviations between acceptance and delivery, which have a one-off effect on the reported income. Adjusted for this effect, the decrease in income of addressed letters was 17 million francs, caused by the economic downturn and the substitution of electronic media. The income from newspapers was on par with the previous year and the income from unaddressed items decreased slightly by 3 million francs.

Compared with the previous year, operating expenses fell by 55 million to 2,365 million francs. Productivity increases, above all in the sorting centres, and decreasing volumes led to lower staff costs. In addition, the infrastructure contribution to the post office network that PostMail bore in 2011 was lower than in 2010.

The headcount decreased by 184 full-time equivalents to a value of 16,908 full-time equivalents. The decrease is due primarily to optimisations in the sorting centres.

Swiss Post International

Swiss Post International generated an operating result of 51 million francs in 2011. Despite the negative effect from writedowns on intangible assets of 9 million francs, the operating result was 2 million francs above the previous year. The operating profit margin rose by 0.3 percent to 6.5 percent.

In 2011 Swiss Post International generated operating income of 780 million francs (previous year: 788 million francs). This lower yield is due mainly to the loss of a key account in Italy, the greatly reduced business activities of PrimeMail GmbH as well as volume losses in the Swiss import/export business. These lower yields totalling 50 million francs could not be completely offset by sales increases in the divisions International Mail (13 million francs) and Courier, Express and Parcel (12 million francs) or positive foreign-currency effects (17 million francs).

At 729 million francs, operating expenses were down 10 million francs on the previous year. The staff costs could be reduced by 10 million francs due to restructuring measures that had been introduced in 2010. The lower volumes led also to a reduction of the generally variable resale merchandise expenses. The foreign-currency effects mentioned in the operating income are reflected also in an increase in operating expenses.

The average headcount decreased by 47 to 1204 full-time equivalents, mainly as a result of the restructuring of the Import Parcels Division.

Swiss Post Solutions

On 21 December 2010, Swiss Post Solutions merged its Direct Mail division into a joint venture with Austrian Post. This affects six companies and one section of a Group company. The disposal of this division is a significant reason for the changes compared with the previous year.

The operating result increased by 4 million francs to a gratifying result of 11 million francs in comparison to the previous year. The negative foreign-currency effects on the operating result amounted to just under one million francs.

Swiss Post Solutions generated an operating income of 549 million francs. The income was around 17 percent lower than in the previous year. However, organically and adjusted for exchange-rate effects, Swiss Post Solutions recorded a strong growth of 39 million francs or 7.2 percent. The negative exchange-rate effects on the euro, the US dollar and the British pound were 51 million francs. The discontinued income of the divested units of Direct Mail was 110 million francs.

At 538 million francs, operating expenses were significantly lower than in the previous year, influenced also by the exchange-rate development and the deconsolidation of the mail activities. The strict cost management led to a further improvement in the EBIT margin.

The staff costs decreased in comparison with the previous year from 6,992 to 6,407 full-time equivalents. While around 1,000 full-time equivalents were cut with the deconsolidation of the Direct Mail business unit, around 371 full-time equivalents could be added in Vietnam and 68 full-time equivalents in the USA.

Post Offices & Sales

Post Offices & Sales: Mixed annual results

The rigorous cost management and corresponding savings together with sales increases in the other brand-name products were not able to compensate for the market-related decreases in inpayments at post-office counters and the drop in sales for letter and parcel mail. Post Offices & Sales achieved a result of – 151 million francs in 2011 with its network of over 3,600 customer access points throughout Switzerland.

Operating income fell by 63 million to 1,706 million francs compared with the previous year. The declining sales in letter and parcel mail caused losses of 31 million francs. The internal compensation (infrastructure contribution) was further reduced by 27 million francs. The drop in payment transaction that had been observed for a long time due to substitution by e-banking continued. Earnings fell by 15 million francs. The gratifying trend in net sales of non-postal brand-name articles persisted; sales increased by 14 million francs to 495 million francs in comparison to the previous year and thus compensated for part of the fall in income from postal products. In particular, special mention should be made here of gift cards, the sale of which contributed significantly to sales growth. After the successful sales of the special Basel carnival stamp in 2010, there was a slight fall of 3 million francs in income from philatelic products for this reason and because of the decreasing number of annual subscribers as well as the decreased foreign business due to the high Swiss franc.

Compared to 2010, the operating expenses were reduced by 20 million francs to 1,857 million francs. The decreasing volumes of postal products resulted in lower service expenses of 21 million francs. Although the positive development in resale merchandise sales caused an increase in the resale merchandise expense of 11 million francs, the "other expenses" could be reduced through savings efforts by a further 10 million francs compared to the previous year.

The headcount decreased in comparison with the previous year by 101 full-time equivalents to 6,827 employees due to developments in the post-office network.

Logistics market

PostLogistics

PostLogistics: Business development stable

PostLogistics achieved an operating result of 151 million francs, which corresponds to a decrease of 13 million francs in comparison with the previous year. The main reasons for the decrease were lower parcel volumes and the higher staff costs.

At 1,439 million francs, operating income was down 39 million francs compared to the previous year. This was due to the decline in income from resale merchandise of 51 million francs, arising from changes to the method of calculation that did not affect the result, and from the decrease in fuel sales. The lower parcel volume (due mainly to special mailing effects in 2010 etc.) led to a decline in sales of 9 million francs. These effects were offset partly by the acquisition of Coca-Cola as a new customer, and the increase in sales from fleet management.

Compared with the previous year, operating expenses fell by a total of 26 million to 1,288 million francs. Staff costs were 12 million francs higher than in the previous year. This increase was due to the increase in the headcount, costs for early retirement and costs for retirement savings for employees taken on by PostLogistics from Coca-Cola. The resale merchandise and service expenses were 37 million francs lower than the previous year primarily due to the new method of calculation and the lower fuel volumes. The other operating expenses increased by 2 million francs due to higher IT expenses. Depreciation fell by 3 million francs.

The average headcount increased by 26 to 5,345 full-time equivalents. This increase is primarily due to the above-mentioned taking on of Coca-Cola employees and the increase in staff in parcel delivery to relieve parcel carriers.

Retail financial market

PostFinance

PostFinance: Higher customer deposits again

In 2011 PostFinance achieved an operating result of 591 million francs, which corresponds to an increase of 20 million francs (+3.5 percent) compared to the previous year.

Net interest income increased by 42 million francs (+3.9 percent) in comparison with the previous year. This increase is due to higher customer deposits. Writedowns on assets including losses from payment transactions were 91 million francs and are thus 62 million francs higher than in the previous year, and comprised mainly portfolio value adjustments due to the great increases in credit-risk spreads resulting from the uncertainties in the financial markets. In the commission and service business, PostFinance posted an income of 301 million francs (+34 million francs; +12.7 percent). The drop in income from decreasing inpayments at post offices was more than offset by higher income from credit cards and mortgages. On the whole, operating income increased to 1,473 million francs (previous year: 1,440 million francs, +2.3 percent).

Operating expenses including depreciation were 882 million francs, which corresponds to an increase of 13 million francs in comparison with the previous year (+1.5 percent). As a result of the increase in sales staff, staff costs rose by 27 million to 446 million francs. At 426 million francs, operating expenses were 12 million francs below the previous year level (438 million, –2.7 percent).

PostFinance employed an average of 160 full-time equivalents more than in comparison to the previous year.

Public passenger transport market

PostBus

PostBus: Operating result higher than in the previous year

The operating result of PostBus in 2011 was a total of 33 million francs and thus 5 million francs higher than in the previous year.

Following further expansion of PostBus services and the fare adjustment for the timetable year 2011, operating income rose by 17 million francs to 719 million francs.

In contrast, operating expenses rose only by 12 million francs and were 686 million francs in 2011. Additional services in Switzerland led to an increase in staff costs of around 6 million francs and higher compensation paid to Postbus operators of around 12 million francs. The higher fuel price of over 0.12 francs per litre also contributed to the increase in operating expenses.

PostBus was able to run the additional services only with extra personnel: The headcount at PostBus thus grew by 55 full-time equivalents (+2.7 percent) to 2,067 full-time equivalents.

Other: Management and service units

Other: Lower operating result

The segment Other generated an operating result of 12 million francs in 2011. (Previous year: 20 million francs).

The operating income of 945 million francs has decreased by 23 million francs since the previous year. The main reasons for this were the lower net sales of the Unit Services (–6 million francs) and lower other operating income (–17 million francs). The lower net sales of the Unit Services resulted especially from reduced prices for maintenance cleaning. The reduction in price was made possible by comprehensive cost savings measures.

Operating expenses decreased by 15 million francs to 933 million francs and were therefore not able to compensate completely for the decrease in operating income. This decrease in operating expenses was due mainly to the 13 million francs lower staff costs. The staff costs primarily decreased in the Real Estate Service unit due to cost-optimisation measures.

The headcount fell by 105 over the previous year to 2,165 full-time equivalents.

Acquisitions

Switzerland and Germany
With effect on 3 January 2011 Swiss Post International Holding AG acquired all the shares of two (for the Group) unimportant companies with headquarters in Switzerland and Germany. On 15 July 2011, the Swiss company was merged into Swiss Post International Logistics AG with retrospective effect per 3 January 2011.

Ireland
On 5 December 2011, all shares of FMC Insights Limited, Dublin, Ireland were acquired. FMC offers IT-based solutions and services in the areas of Loyalty Catalyst, Promo Analysis and Data Mining. The business will be an integral component of the Solutions portfolio of Swiss Post Solutions.

The effects of the above-mentioned acquisitions on the consolidated financial statements are not significant.

For detailed information on the scope of consolidation, see Page 97.

Assets and financial situation

Cash flow and investments

In comparison with the previous year, the cash flow increased by 34 million francs to 965 million francs.

Investments were completely self-financed in 2011 as well

Group | Internal financing
2011 with change from previous year
CHF million, percent

1 before appropriation of profits

Overall, investments in property, plant and equipment (377 million francs), real estate held as a financial investment (11 million francs), intangible assets (30 million francs) and equity investments (11 million francs) were 65 million francs higher than in the previous year. This increase was due mainly to higher investments in real estate. In 2010 the investment volume was again financed entirely from Swiss Post's own resources.

Over 100 billion in customer deposits

Additional strengthening of equity

Balance sheet

Receivables due from financial institutions
The receivables due from financial institutions have increased by around 18 billion francs compared to 31 December 2010. This increase is due principally to additional liquid assets held mainly at the Swiss National Bank.

Financial assets
The holdings of financial assets are around 3.4 billion francs lower when compared with the end of 2010. This decrease results from the intended reduction in the average duration of the financial investments of PostFinance.

Property, plant and equipment
The book value of property, plant and equipment rose by 36 million francs compared with 31 December 2010. This increase was due to the increase in investments in the construction of operating property, operating equipment, furniture and a reclassification of property, plant and equipment as "real estate held as financial investment" of 38 million francs (see also Page 77). Depreciation declined by 16 million francs, totalling around 293 million francs in 2011.

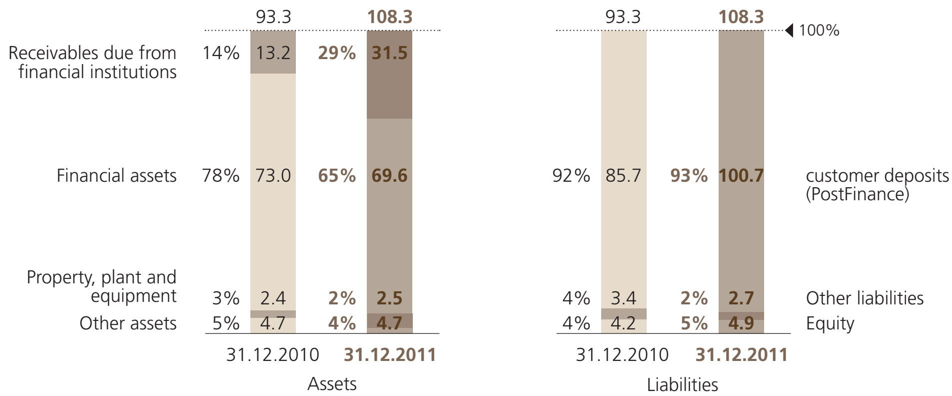
Customer deposits (PostFinance)
In 2011 customer deposits at PostFinance rose by 14,982 million francs to 100,707 million francs. On 31 December 2011, customer deposits accounted for around 93 percent of the Group's total assets.

Other liabilities (provisions)
Provisions (including employee benefit obligations) fell by 352 million francs. This reduction is due completely to the decrease in employee benefit obligations of 352 million francs, the reduction stemming mainly from an employer's contribution.

Equity
Consolidated equity on 31 December 2011 was calculated net of the appropriation of profit for 2010. The forthcoming conversion of Swiss Post into a public company subject to special legal provisions, and of PostFinance into a public company subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA) will require an increase in equity.

The total assets exceed the 100 billion francs mark

Group | Balance sheet structure
As of 31 December 2010 and 31 December 2011
CHF billion



Appropriation of profit

Distributions of one third of the parent company profit

The Federal Council expects Swiss Post to finance the pension fund out of the profit it generates and to strengthen the equity base in stages. In addition, as the owner, the Confederation, expects an adequate dividend on its equity. Given the existing shortfall in the Swiss Post pension fund and the need for further strenthening of the Group's equity base, a request will be submitted to the Federal Council to use the profit of Swiss Post (parent company) of 611 million francs as follows:

– Employer's contribution reserve for Swiss Post pension fund: 100 million francs
– Dividends paid to the owner: 200 million francs
– Reserves for Swiss Post: 311 million francs

In accordance with generally accepted commercial accounting principles, the equity of the parent company amounts to 4,944 million francs before appropriation of profit.

The consolidated financial statements are authoritative from a commercial point of view. The consolidated financial statements are drawn up on the basis of the Postal Organization Act in accordance with the International Financial Reporting Standards (IFRS). Swiss Post Group reports equity of 4,879 million francs. (For details, see the table "Consolidated statement of changes in equity" on Page 38).

Important non-financial results

In addition to the financial target (EBIT between 700 and 800 million francs) and the aim of holding the leading market position in Switzerland, Swiss Post has set itself the following strategic objectives (see Pages 8 and 13):

– Customer satisfaction: at least 75 points on a scale from 0 – 100
– Employee commitment: at least 80 points on a scale from 0 – 100
– Sustainability: – 15,000 t CO_2 emissions/year until the end of 2013
– Basic service: unrestricted regulatory certificate

Customer satisfaction

Satisfaction of Swiss Post customers stable at a high level for years

The 2011 customer survey gave the high value of 79 points on a scale from 0 to 100 points for the entire Group. Customers are more and more discerning, but continuous improvements in products and services keep the level of satisfaction high.

Private customers

The satisfaction of Swiss Post customers has been very stable for years. The only significant change was recorded by PostFinance: The comprehensive yet clearly structured service packages from PostFinance are popular, as satisfaction rose by one point to 86 points. Private customers were more satisfied only with the post offices, which earned 87 points again. New services such as payment by credit card or the improved information on products and services ensure a positive attitude among customers. In passenger transport, commuters (75 points) and leisure travellers (83 points) confirmed the maximum values achieved in the previous year. Private customers awarded the home-delivery service 79 points, the postal agencies 75 points and letter delivery 91 points.

Business customers

Business customers are very important to Swiss Post, since they are responsible for over four-fifths of sales. They gave all business areas between 72 and 83 points from a maximum of 100 points. PostLogistics (78 points) lost one point in its satisfaction rating, but the decrease is not statistically significant. PostMail (78 points), PostFinance (83 points) and Swiss Post International (72 points) received the same ratings as in the previous year, and Swiss Post Solutions (82 points) gained one point in the scale of satisfaction.

Further information on the customer and service unit can be found in the Annual Report on Page 16.

Employee commitment

Index value for employee commitment remains at a high level

Approximately 50,000 employees of Swiss Post were asked about their commitment, work situation and company, among other things, in the 2011 employee survey. Compared to the previous year, they awarded exclusively better or the same marks to their employer on the Group level. This result is supported by the record-high response rate of 76.4 percent. Many employees are highly willing to dedicate themselves fully to their work, they consider their work to be important for the success of their unit and would like to still be working at Swiss Post in two years. These three record values in the 2011 employee survey with at least 85 of 100 possible points are exemplary for the overall result of the survey: All survey results on the Group level improved this year or remained the same. The evaluation of the personal commitment of employees remains at the same high level with 83 of 100 points. The commitment index comprises the factors of willingness to perform, identification and staff turnover. Identification with the company rose by one point to 81 in comparison with 2010. This shows that employees like working at Swiss Post and stand by their products and services.

Further information on the Human Resources unit can be found in the Annual Report on Page 24.

Sustainability

CO_2 emissions reduced by 3,115 tons per year

Swiss Post consistently implements its 2011–2013 sustainability strategy in day-to-day operations. For the objective of reducing CO_2 emissions by 15,000 tons per year by 2013, Swiss Post has saved 3,115 tons per year with the measures to date. Since 2008 Swiss Post has improved its energy balance by 4.1 percent and the CO_2 balance by 4.4 percent. Swiss Post has thus not only been able to reduce its absolute CO_2 emissions but also its relative greenhouse gas emissions per employee or per operating income.

Further information on the Sustainability Unit can be found in the Annual Report on Page 36.

Basic service

High service quality consistently customer orientated

The basic services are tailored to customers' current needs, are reasonably priced and are provided on the same basis for everyone through a nationwide network of access points. Swiss Post aims to fulfil its legal mandate by focusing on its customers and providing them with a consistently high quality of service.

Today, the basic service as laid down by postal legislation encompasses services for the acceptance, transport and delivery of letters, parcels up to 20 kilograms, newspapers and magazines in permanently inhabited settlements on at least five working days a week, as well as payment transaction services (see also Legal Mandate on Page 8).

Swiss Post regards the mandate to provide the basic service, and the related directives set out in the Federal Council's strategic objectives as an opportunity to prove that the trust placed in it will continue to be justified in the future. It therefore considers the legally mandated basic service to be only the minimum level and actually delivers much more, both in terms of the quality and the scope of the services it provides. PostReg (postal regulator) commissions external auditors every year to check the regulatory statements. They have confirmed the compliance with the postal legislation each time. The last available certificate from April 2011 concerns 2010.

Further information on the basic service can be found in the Annual Report on Page 30.

Risk report

Risk policy principles

Swiss Post considers efficient and forward-looking risk management to be a value-adding management task and one of the core functions of entrepreneurial activity. The aim is not to avoid all risks but to create room for manoeuvre. Risk management creates transparency about the risk situation (as a basis for strategic and operational decisions), by identifying potential threats to its assets, income and financial situation, by prioritizing the risks and the need for action and by taking steps to limit risks to an acceptable level. By dealing with risks in a controlled manner, it can systematically exploit existing opportunities and enhance the company's success.

Risk management system

The Board of Directors sets out the primary guidelines and principles for Swiss Post's risk management system and the risk policy. The risk managers at Group and unit level manage the process and ensure that all risks are identified and recorded in full in the risk measurement and reporting system. Twice a year the Group risk manager and the Risk Management Committee provide the Executive Management with a full overview of the Group's risk position and high-level risks. The Executive Management carries out its risk analysis on the basis of this overview. The results are presented to the Board of Directors' Audit & Risk Committee and the Board of Directors. Finally, the Board of Directors assesses the aggregated risks.

In 2011 the risk management system was checked by external specialists. They concluded that the system corresponds to a good practice approach. For the purpose of continuous improvement, Executive Management and the Board of Directors have commissioned a detailed plan for significant further development to be drawn up by the first quarter of 2012.

In the risk identification or analysis, the following areas are considered: strategy and environment, customers/market, service provision, pricing policy, projects / external services, reporting/controlling, security, own damage/liability claims, human resources management, information technology, finance, corporate governance, legal aspects and communications/reputation.

Risk control

For all risks that exceed an acceptable level, corresponding measures for reduction are defined. The respective risk owners are responsible for their implementation and monitoring.

At Group level, the top risks are closely controlled using strategic measures, usually combined with further precautions that are individually adapted to the respective risk. For all top risks it is specifically defined who is responsible for a particular measure, what deadlines apply, who performs the controlling and what the current status of the implementation is.

Overall risk assessment

Executive Management and the Board of Directors assess the current risk situation of the Group as in agreement with the risk policy. In particular, this means that no residual risks are identified that could threaten the existence of the Group as a whole or parts thereof or could massively interfere with its obtaining its objectives. At the same time, it must be noted that some of the top risks cannot be completely covered by the Group itself.

At Group level, Swiss Post identified and evaluated ten top risks in 2011 for the Executive Management and Board of Directors to actively confront and control as much as possible. These risks each entail potential losses of at least 50 million francs. Three concern the (political) operating conditions, three are market-related and four are endogenous risks. Due to the effects of control measures, refined analysis methods and after stress tests, in the second of the two annual process phases, the extent of losses for four top risks could be re-assessed as lower than in the first half year.

Fourteen further potential risks are being monitored as a precaution and, where possible using appropriate measures, actively controlled, e.g. pandemics, natural risks, and demographic issues.

For further information on risk management at Swiss Post, see Page 87 of the Financial Report.

Outlook

Economic outlook is uncertain

The global growth prospects are dampened and have rather diminished since the last assessment by the Swiss National Bank. The deepening of the European debt crisis has resulted in a gloomy economic outlook for the Euro zone. The bond yields of fiscally weak countries are markedly increasing. The increasing unrest of market participants is reflected also in the increased volatility of the financial markets. Increasing credit costs and great insecurity contribute to a considerable deterioration of the business climate in the Euro zone. The National Bank has significantly reduced its growth forecasts for the Euro zone. For the rest of the world, however, the forecasts basically remain unchanged. The uncertainty about the further development of the global economy remains very high. The European government debt crisis in particular presents serious risks for the international financial system and the real economy.

In Switzerland also the economic outlook has become gloomy. The introduction of the minimum euro/franc exchange rate has corrected the extreme appreciation and provided the export economy with a certain planning certainty, but the strong Swiss franc remains a burden. The situation is aggravated further by the modest outlook for the international economy. The combination of low margins and weak demand will certainly force export-oriented companies in Switzerland to perform further adjustments in the coming quarters. At the same time, domestic economic factors such as the low interest level and the solid development of real incomes will continue to have a positive effect. This should at least partially offset the negative developments in the export industries. The Swiss National Bank assumes a GNP growth of only 0.5 percent for 2012. Should the economic situation in Switzerland weaken further, this will affect also Swiss Post. This is true even though Swiss Post is active only in a few economically sensitive markets, and therefore reacts less strongly to economic fluctuations than other companies in Switzerland.

The economic outlook, increasingly fierce competition, ongoing substitution effects, mailing optimization by business customers, and the necessary further strengthening of the equity base all confirm Swiss Post’s conviction that it is right to implement consistently the defined strategy.

Annual financial statements

Group

Consolidated statement of comprehensive income

Group | Statement of comprehensive income

CHF million	Notes	2011	2010
Net sales from logistics services		5,377	5,533
Net sales from resale merchandise		579	619
Income from financial services	6	2,439	2,378
Other operating income	7	204	206
Total operating income	5	**8,599**	**8,736**
Staff costs	8, 9	–4,026	–4,076
Resale merchandise and service expenses	10	–1,520	–1,558
Expenses for financial services	6	–728	–689
Depreciation and amortization	24–26	–293	–309
Other operating expenses	11	–1,124	–1,174
Total operating expenses		**–7,691**	**–7,806**
Operating result	5	**908**	**930**
Financial income	12	24	20
Financial expenses	13	–19	–20
Net income from associates	23	12	7
Profit before tax		**925**	**937**
Income taxes	14	–21	–27
Group profit		**904**	**910**
Other comprehensive income			
Change in fair value reserves		–26	15
Change in hedging reserves		–8	–2
Change in currency translation reserves		–1	–32
Change in deferred taxes		–1	0
Total other comprehensive income		**–36**	**–19**
Total comprehensive income		**868**	**891**
Group profit attributable to			
Swiss Confederation (owner)		904	910
Non-controlling interests		0	0
Total comprehensive income attributable to			
Swiss Confederation (owner)		868	891
Non-controlling interests		0	0

Consolidated balance sheet

Group | Balance sheet

CHF million	Notes	31.12.2011	31.12.2010 [1]
Assets			
Cash		2,067	1,685
Receivables due from financial institutions	15	31,534	13,185
Interest-bearing amounts due from customers	15	81	505
Trade accounts receivable	15	927	897
Other receivables	15	1,071	1,131
Inventories	16	77	75
Non-current assets held for sale	36	1	3
Financial assets	17–22	69,629	73,043
Investments in associates	23	53	50
Property, plant and equipment	24	2,421	2,389
Property held as a financial investment	25	49	–
Intangible assets	26	296	289
Deferred income tax assets	14	48	58
Total assets		**108,254**	**93,310**
Liabilities			
Customer deposits (PostFinance)	27	100,707	85,725
Other financial liabilities	27	22	364
Trade accounts payable		651	618
Other liabilities		874	907
Provisions	28	425	425
Employee benefit obligations	9	686	1,038
Current income tax liabilities		2	3
Deferred income tax liabilities	14	8	6
Total liabilities		**103,375**	**89,086**
Endowment capital		1,300	1,300
Capital reserves		2,231	2,131
Retained earnings		1,398	805
Currency translation reserves		–58	–57
Gains and losses recognized in other comprehensive income		8	43
Equity attributable to the owner		**4,879**	**4,222**
Non-controlling interests		0	2
Total equity		**4,879**	**4,224**
Total liabilities		**108,254**	**93,310**

1 The amounts for 2010 were adjusted (see also Note 2, Basis of accounting, Accounting changes).

Consolidated statement of changes in equity

Group | Statement of changes in equity

CHF million	Notes	Endowment capital	Capital reserves	Retained earnings	Currency conversion reserve	Gains and losses recognized in other comprehensive income	Equity attributable to the owner	Non-controlling interests	**Total**
Balance on 01.01.2010		**1,300**	**1,881**	**345**	**–25**	**30**	**3,531**	**3**	**3,534**
Group profit				**910**			**910**	**0**	**910**
Increase in fair value reserves for available-for-sale financial assets						8	8		8
Gains transferred to the statement of comprehensive income due to disposal of financial assets	17					–3	–3		–3
Amortization of fair value reserves for financial assets reclassified as held to maturity	17					10	10		10
Change in unrealized gains/losses on hedging reserves for cash flow hedges (net)						75	75		75
Gains/losses transferred to the statement of comprehensive income from cash flow hedges						–77	–77		–77
Deferred taxes						0	0		0
Change in currency translation reserves					–32		–32	0	–32
Total other comprehensive income					**–32**	**13**	**–19**	**0**	**–19**
Total comprehensive income				**910**	**–32**	**13**	**891**	**0**	**891**
Dividends				–450			–450	–1	–451
Capital contribution	9		250				250		250
Balance on 31.12.2010		**1,300**	**2,131**	**805**	**–57**	**43**	**4,222**	**2**	**4,224**
Balance on 01.01.2011		**1,300**	**2,131**	**805**	**–57**	**43**	**4,222**	**2**	**4,224**
Group profit				**904**			**904**	**0**	**904**
Decrease in fair value reserves for available-for-sale financial assets						–28	–28		–28
Gains transferred to the statement of comprehensive income due to disposal of financial assets	17					–4	–4		–4
Amortization of fair value reserves for financial assets reclassified as held to maturity	17					6	6		6
Change in unrealized gains/losses on hedging reserves for cash flow hedges (net)						–56	–56		–56
Gains/losses transferred to the statement of comprehensive income from cash flow hedges						48	48		48
Changes in deferred taxes						–1	–1		–1
Change in currency translation reserves					–1		–1		–1
Total other comprehensive income					**–1**	**–35**	**–36**	**0**	**–36**
Total comprehensive income				**904**	**–1**	**–35**	**868**	**0**	**868**
Dividends				–300			–300	–2	–302
Capital contribution	9		100				100		100
Change in non-controlling interests	35			–11			–11	0	–11
Balance on 31.12.2011		**1,300**	**2,231**	**1,398**	**–58**	**8**	**4,879**	0	**4,879**

Consolidated cash flow statement

Group | Cash flow statement

CHF million	Notes	2011	2010 [1]
Profit before tax		925	937
Depreciation and amortization	24–26	293	309
Net gain on disposal of property, plant and equipment	7, 11	–40	–47
Net impairment of financial assets	17	84	22
Change in fair value of financial assets		210	529
Net (decrease) in provisions		–254	–262
Other net financial income/(finance costs)		–18	–13
Other non-cash income/(expense)		–11	–7
Change in net current assets:			
Decrease in receivables		4	291
(Decrease in) liabilities		–11	–172
(Increase in) other non-interest-bearing current assets		–2	0
Change in items from financial services:			
Decrease in receivables due from financial institutions (term of 3 months or more)		287	381
(Increase)/decrease in financial assets		3,094	–12,453
Change in customer deposits (PostFinance)/interest-bearing amounts due from customers		15,406	8,080
Change in other receivables/liabilities from financial services		–275	142
Income taxes paid		–13	–8
Net cash from operating activities		**19,679**	**–2,271**
Purchases of property, plant and equipment	24	–377	–321
Acquisition of property held as a financial investment	25	–11	–
Purchases of intangible assets (excl. goodwill)	26	–30	–18
Payments to acquire subsidiaries, net of cash and cash equivalents acquired	35	–11	–25
Payments to acquire associates	23	–	0
Proceeds from disposal of property, plant and equipment	24	89	94
Sale of subsidiaries, net of cash and cash equivalents sold	35	–	–3
Proceeds from disposal of (payments to acquire) other (non-operating) financial assets (net)		6	3
Interest received (excl. financial services)		24	20
Net cash used in investing activities		**–310**	**–250**
(Decrease in) in other financial liabilities		–36	–33
Interest paid		–2	–3
Payments to acquire non-controlling interests	35	–11	–
Transfer from profit available for appropriation to Swiss Post pension fund	9	–100	–250
Dividends paid to the owner		–200	–200
Dividends paid to non-controlling interests		–2	–1
Net cash used in financing activities		**–351**	**–487**
Foreign exchange losses on liquid assets		–1	–9
Change in cash and cash equivalents		**19,017**	**–3,017**
Cash and cash equivalents at 1 January		14,422	17,439
Cash and cash equivalents at 31 December		**33,439**	**14,422**
Cash and cash equivalents include:			
Cash		2,067	1,685
Receivables due from banks with an original term of less than 3 months	15	31,372	12,737

1 The amounts for 2010 were adjusted (see also Note 2, Basis of accounting, Accounting changes).

Notes

1 | Business activities

Swiss Post (hereinafter also referred to as Swiss Post, the parent company) is a public organization with its head office in Berne and is wholly owned by the Swiss Confederation. Swiss Post and its subsidiaries (hereinafter referred to as Swiss Post) provide logistics and financial services both in Switzerland and abroad (see Note 5, Segment information).

2 | Basis of accounting

The consolidated annual financial statements are comprised of the annual financial statements of Swiss Post, the parent company and its subsidiaries. They have been prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as IFRS) and also comply with the Postal Organization Act.

The consolidated annual financial statements have been prepared under the historical cost convention. Exceptions to this rule are described in the accounting policies set out below. For instance, derivative financial instruments and financial assets held for trading, designated at fair value and classified as "available for sale" are recognized at fair value.

To take account of the characteristics of the financial services and their importance for Swiss Post, net income from financial services is shown separately in Note 6, Net income from financial services. Furthermore, the balance sheet is not broken down into current and non-current items, but structured according to descending liquidity. Financial income and finance costs from financial services and the underlying cash flows are shown as operating income, expenses or cash flows. Financial income and finance costs from other Group units are disclosed as non-operating financial income or finance costs (excluding financial services) and the relevant cash flows as investment or financing transactions.

Revised and new International Financial Reporting Standards (IFRS)

Since 1 January 2011, Swiss Post has applied various changes to the existing IFRS and interpretations, which have no major influence on the result or financial situation of the Group.

Certain new IFRS or supplements thereto will come into force on 1 January 2013. Swiss Post will refrain from applying them ahead of schedule. Hence this consolidated financial reporting does not contain any effects resulting from these changes. With the exception of amendments to IAS 19, no significant financial effects are expected from the supplements and revisions planned for 1 January 2013. The amended IAS 19 abolishes the corridor approach and requires the recognition of actuarial gains and losses (31 December 2011: 2,335 million francs) in other comprehensive income. These amendments will have an influence on the Group, because Swiss Post currently applies the so-called corridor approach. Furthermore, in the revised IAS 19, anticipated income from plan assets and the interest expenses for pension obligations will be replaced by a standard net interest component. In future the service cost to be allocated subsequently will be recognized in the period of the associated plan change.

Accounting changes

Other financial liabilities and other liabilities

From the 2011 reporting period, PostLogistics recognizes the payments of SecurePost AG as other liabilities and not longer as other financial liabilities. The prior-year amounts were adjusted accordingly by 26 million francs.

3 | Consolidation methods and accounting policies

The consolidated annual financial statements of Swiss Post comprise Swiss Post, the parent company and all companies in which Swiss Post holds over 50 percent of the voting rights, whether directly or indirectly, or where Swiss Post is responsible for operational and financial management. These companies are fully consolidated. The consolidated financial statements are based on the separate financial statements of the parent and the subsidiaries, which in turn are prepared in accordance with uniform principles as at a uniform reporting date.

All intra-Group receivables, liabilities, income and expenses from intra-Group transactions and unrealized inter-company profits are eliminated on consolidation. Non-controlling interests in the equity of consolidated companies are presented as a separate item within equity. Non-controlling interests in Group profit or loss are presented within the consolidated statement of comprehensive income.

Investments in associates where Swiss Post has 20 to 50 percent of the voting power and/or significant influence but which it does not control are not consolidated, but accounted for by the equity method and reported under "Investments in associates". Joint ventures with 50 percent of the voting power in which Swiss Post has significant influence but which it does not control are recognized and disclosed by the same method. Under the equity method, the investment's value is calculated based on the historical cost, plus or minus the proportionate profit or loss since the acquisition date. Material holdings and transactions with these companies are posted separately as items with associates. Investments under 20 percent are presented as "available-for-sale" financial assets.

Companies acquired during the reporting period are included in the consolidated annual financial statements from the date on which Swiss Post assumes effective control. Companies that are sold are included until the date on which control is lost, which is usually the date of sale.

Please see Note 34 (Consolidated Group) for an overview of Swiss Post subsidiaries and associates.

Currency translation

The consolidated annual financial statements of Swiss Post are drawn up in Swiss francs (CHF).

Transactions in foreign currencies are translated at the daily rate ruling at the transaction date. At the end of the reporting period, monetary assets and liabilities in foreign currencies are translated at the closing rate. Non-monetary assets classified as available-for-sale financial assets are measured at fair value, and the unrealized foreign exchange gain or loss recognized in other comprehensive income.

Assets and liabilities in balance sheets of fully consolidated companies that have been prepared in a foreign currency are translated into Swiss francs at the closing rate. The statement of comprehensive income, cash flow statement and other transactions are translated at the average rate for the reporting period. Translation differences arising from the translation of balance sheets and statements of comprehensive income of foreign subsidiaries are recognized in consolidated other comprehensive income.

Recognition of income

Income is recognized if it is clear that the economic benefits associated with the transaction will flow to Swiss Post and those benefits can be measured reliably.

Income from logistics services is recognized after sales deductions at the time the service is provided. Income from the sale of products is recognized in the statement of comprehensive income if the risks and rewards incidental to ownership of the products have been transferred to the purchaser. Swiss Post receives compensation from the Swiss Confederation for public passenger transport services and the uncovered costs of newspaper transport, which is recognized in profit or loss on an accrual basis.

Commission and service income from financial services is recognized on an accrual basis. Interest income on financial assets and interest expenses for customer deposits are accounted for under the accrual-based accounting principle. The effective interest method is used for interest earned on held-to-maturity and available-for-sale fixed-rate financial assets.

Cash

Cash includes cash holdings in Swiss francs and foreign currencies as well as asset-side cash in transit (cash payments made at post offices which have not yet been credited to the PostFinance account SIC held at the Swiss National Bank). Cash holdings are measured at face value.

Financial receivables

Receivables due from banks and interest-bearing amounts due from customers (technically overdrawn postal accounts) are measured at amortized cost under the effective interest method, which usually corresponds to the face value. If there are specific doubts as to a debtor's creditworthiness, an appropriate impairment charge is recognized. Individual impairment charges are charged to a separate allowance account. The receivable is derecognized once there are firm indications that it is no longer recoverable. In addition to individual impairment charges for specifically identified credit risks, general impairment charges are also recognized based on statistical analyses of credit risk.

Trade accounts receivable and other receivables

Trade accounts receivable and other receivables are recognized at amortized cost, which usually corresponds to the face value, minus an impairment charge for doubtful receivables. Individual impairment charges are charged to a separate allowance account. The receivable is derecognized once there are firm indications that it is no longer recoverable. In addition to individual impairment charges for specifically identified credit risks, general impairment charges are also recognized based on statistical analyses of credit risk.

Inventories

Inventories comprise resale merchandise, work in progress and finished goods, fuel, and operating, working and production materials. They are measured at the lower of historical or manufacturing cost and net realizable value. The historical or manufacturing cost is determined according to the weighted average cost method. Appropriate impairments are recognized for inventories that are not easily marketable.

Financial assets

Financial assets acquired primarily with the aim of achieving short-term gains by making targeted use of fluctuations in market prices are recognized as financial assets at fair value. They are classified as "at fair value through profit or loss, held for trading" or "at fair value through profit or loss, designated". Fair value changes in this category are recognized in the statement of comprehensive income. Interest or dividend income from assets "at fair value through profit or loss, held for trading" or "at fair value through profit or loss, designated" is presented as a separate item in the Notes.

Financial assets with a fixed term to maturity, where Swiss Post has the positive intent and ability to hold them to maturity, are classified as "held to maturity" and recognized at amortized cost under the effective interest method. The effective interest method distributes the difference between historical cost and the repayment amount (premium/discount) over the term of the asset in question using the annuity method. This results in a constant rate of interest until maturity.

Other financial assets which are held for an indefinite period and can be sold at any time for liquidity reasons or in response to changing market conditions are classified as "available for sale" and recognized at their fair value. Unrealized gains and losses are recognized under "Fair value reserves" for financial assets in other comprehensive income and are transferred to the statement of comprehensive income only when the financial asset is sold or if an impairment is recognized. Currency translation differences on monetary financial assets classified as "available for sale" are recognized in profit or loss.

Loans granted by Swiss Post are recognized at amortized cost. Financial assets are entered in the balance sheet at the settlement date.

Swiss Post checks its financial assets on a regular basis for any indication that an asset may be impaired. Here it looks in particular to fair value trends and the downgrading of the credit rating by recognized rating agencies or qualified banks. If there are indications that an asset is impaired, the recoverable amount is estimated. The recoverable amount of interest-bearing assets and loans is the present value of expected future cash flows from interest payments and repayments. The present value of "held-to-maturity" assets and loans is calculated on the basis of the original effective rate of interest on the financial assets in question. If the recoverable amount is less than the carrying amount of a financial asset, the difference is recognized in profit or loss as an impairment. If an impairment is recognized on an "available-for-sale" financial asset, the cumulative net loss on this asset recognized in other comprehensive income is reclassified from equity to profit or loss. If the fair value of an interest-bearing asset such as a bond is less than the carrying amount solely due to a change in market interest rates, no impairment is recognized provided the issuer's credit standing is considered to be good. In this case, the change in the fair value of financial assets classified as "available for sale" is recognized in other comprehensive income. Impairment charges are recognized for equity instruments in the available-for-sale category if a significant (i.e. loss of 20 percent on the original purchase price) or prolonged (i.e. lasting nine months) reduction in fair value is identified. No reversals of impairment losses are recognized in profit or loss until the assets' disposal; in this case, positive changes in value are recognized in other comprehensive income. Individual impairment charges on "held-to-maturity" financial assets and loans are charged to a separate allowance account. The financial asset is derecognized once there are firm indications that the receivable is no longer recoverable. In addition to individual impairment charges for specifically identified credit risks, portfolio impairment charges (a.k.a. "general impairment charges"), based on historical credit risk, are recognized also for "held-to-maturity" assets and loans.

Derivative financial instruments are used mainly to hedge currency and interest rate risks, and to a small extent for trading.

Hedge accounting is applied if derivative financial instruments are effective in offsetting changes in fair value or cash flows attributable to the hedged risks. The effectiveness of these hedges is reviewed every six months.

Fair value hedges are used to hedge exposure to changes in fair value of an asset or liability. Changes in the fair value of both the hedging instrument and the hedged item are recognized in the statement of comprehensive income.

Cash flow hedges are used to hedge anticipated future transactions. Changes in value to the extent a hedge is effective are recognized in other comprehensive income, while changes in value to the extent a hedge is ineffective are recognized in profit or loss.

Derivatives which are not accounted for under the hedge accounting rules or which do not meet the conditions to qualify for hedge accounting are treated as instruments held for trading.

Derivative financial instruments acquired for trading purposes are recognized at fair value when the transaction is concluded and are subsequently measured at fair value. Changes in the fair value of instruments held for trading are recognized in profit or loss.

The fair values of financial instruments are determined on the basis of stock market prices and valuation techniques (annuity method, etc.). In the case of listed financial instruments, the fair values correspond to the market prices. In the case of unlisted monetary financial instruments, the fair values are determined by discounting the cash flows using the current interest rate applicable to similar instruments with the same maturity.

Repurchase, reverse repurchase and securities lending transactions

Cash outflows arising from reverse repurchase transactions are presented as receivables due from banks. Financial assets obtained from transactions as collateral are not recognized in the balance sheet. Transactions are entered in the balance sheet at the settlement date. Interest income from reverse repurchase transactions is accounted for under the accrual-based accounting principle.

Financial assets transferred as collateral continue to be recognized in the balance sheet under "Financial assets". The cash inflow is reported under "Other financial liabilities". Interest expenses from repurchase transactions are accounted for under the accrual-based accounting principle.

In respect of securities lending and borrowing, Swiss Post engages in securities lending only. The loaned financial instruments continue to be recognized in the balance sheet as financial assets.

Securities cover for repurchase, reverse repurchase and securities lending transactions is recognized on a daily basis at current fair values.

Property held as a financial investment

Properties held as a financial investment are plots of land and buildings – or parts of buildings – or both, which are held by the owner or the lessee under a financing lease relationship to generate rental income and/or for the purposes of a value increase. This includes also facilities under construction, which are built as properties held as a financial investment for future use.

Properties held as a financial investment must be valued at their acquisition or production costs on entry. The transaction costs must be included in the initial valuation.

According to the initial approach, properties held as a financial investment in the Swiss Post Group must be valued and balanced at their acquisition or production costs less the accumulated depreciations and accumulated writedowns.

The properties held as a financial investment are depreciated on a straight-line basis in accordance with the estimated useful life (unlimited for land parcels and 20–60 years for operating properties). Assets under construction are not depreciated.

Expenses for the replacement, renovation or refurbishment of a property held as a financial investment or a component thereof are capitalized as replacement investments. Maintenance costs are not capitalized. Such costs are recognized immediately in the comprehensive income.

Transfers to or from the stock of properties held as a financial investment must be made if there is a corresponding change of use.

Property, plant and equipment

Property, plant and equipment is recognized in the balance sheet at historical cost less cumulative depreciation. Depreciation is accounted for on a straight-line basis in line with the estimated useful life, as follows:

Estimated useful life of items of property, plant and equipment	
Plots of land	indefinite
Operating property	20–60 years
Equipment	3–20 years
Machinery	3–15 years
IT equipment	3–10 years
Furniture	3–20 years
Track vehicles	10–30 years
Other vehicles	3–10 years

Tenant fit-outs and installations in rented premises that are recognized as part of the cost of the assets are depreciated over the estimated useful life or the duration of the rental agreement, if shorter. The components of an item of property, plant and equipment that have different useful lives are recognized and depreciated separately. The useful lives of items of property, plant and equipment are reviewed on an annual basis.

Major renovations and other costs that add value are recognized as part of the cost of the assets and depreciated over their estimated useful lives. Costs for repairs and maintenance are recognized as expenses. Borrowing costs for assets under construction are capitalized.

Leases

Lease agreements for properties, installations, other property, plant and equipment and vehicles where Swiss Post substantially assumes all risks and rewards incidental to ownership are treated as finance leases. At inception of the lease, the asset and liability under a finance lease are recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is broken down into amortization and interest expense components. The amortization component is deducted from the recognized lease obligation.

The other lease agreements where Swiss Post is either the lessee or the lessor are recognized as operating leases. The lease payments are recognized in the statement of comprehensive income over the term of the lease.

In classifying long-term property leases, land and building elements are assessed separately. Subject to certain conditions, land and buildings are accounted for as finance leases.

Intangible assets

In the event of business combinations, the identifiable assets, liabilities and any non-controlling interest in the acquiree are recognized and measured at fair value in applying the acquisition method. Liabilities and any non-controlling participations will be evaluated at fair value. Any excess over the purchase price will be recognized as goodwill at cost less impairment.

Additions of intangible assets not acquired through business combinations are recognized at cost and written down on a straight-line basis over the period of their useful life. The estimated useful lives of intangible assets are reviewed on a regular basis and are less than ten years as a rule.

Impairments (property, plant and equipment and intangible assets)

Items of property, plant and equipment and intangible assets (excluding goodwill) are checked regularly to determine if there are signs of loss of value. Should this be the case, the book value is compared with the recoverable amount (the higher of fair value less costs to sell and value in use). If the book value of an asset exceeds its recoverable amount, an impairment equal to the difference between the carrying amount and the recoverable amount is recognized in profit or loss. The recoverable amount of goodwill is reviewed at least annually.

Customer deposits (PostFinance)

Customer deposits held with PostFinance in postal, deposito and investment accounts and medium-term notes are measured at amortized cost, which usually corresponds to the face value.

Other financial liabilities

Other financial liabilities are comprised of amounts due to banks (which are measured at amortized cost), derivatives measured at fair value, finance lease obligations and repurchase transactions.

Provisions

Provisions are recognized provided that, at the date of their recognition, a past event has resulted in a present obligation and a cash outflow is probable and can be measured reliably.

Restructuring provisions are recognized only upon presentation of a detailed plan and following the necessary communication.

Swiss Post bears a number of risks itself in accordance with the principle of self-insurance. Provisions are recognized for expected expenses arising from claims incurred that are not insured externally.

Employee benefits

Most of the employees are insured with the Swiss Post pension fund, a defined benefit plan. In line with statutory provisions, the plan covers risks resulting from the economic consequences of old age, disability and death. The expenses and obligations arising from the pension plan are calculated annually using the projected unit credit method. The service years worked by employees as at the end of the reporting period are taken into account, and assumptions are made as to future wage trends.

The effects of plan amendments are recognized in profit or loss, provided they resulted in justifiably acquired rights. Other effects are recognized in the statement of comprehensive income after being spread equally over the assumed average remaining working lives of the insured. Actuarial and asset-related cumulative gains and losses are recognized on a straight-line basis over the average remaining working lives, provided they exceed 10 percent of the higher of the pension assets and obligations (projected benefit obligation).

For the other pension plans, transferred employer contributions are charged to the statement of comprehensive income in accordance with the rules for defined contribution plans.

Provisions for other long-term employee benefits (loyalty bonuses for long years of service) and staff vouchers for retired employees are also determined using the projected unit credit method, as are the provisions for sabbaticals taken by Senior Management and Top Executive employees.

Income taxes

In accordance with Article 13 of the Postal Organization Act (POA), Swiss Post, the parent company pays tax only on profit arising from competitive services under Article 9 of the Postal Act. Profit earned by Swiss and foreign subsidiaries is subject to tax at the regular rates applicable in the country in question.

Deferred income taxes are determined for the taxable services provided by Swiss Post and its subsidiaries on the basis of current or expected national tax rates. Deferred income taxes take into account the income tax-related implications of temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax base (balance sheet liability method). Tax loss carryforwards are taken into account in calculating deferred taxes only to the extent that it is probable that sufficient taxable profits will be generated in future, against which these can be offset.

Disposal of non-current assets held for sale

Non-current assets (e.g. property, plant and equipment and intangible assets) or groups of assets (e.g. an entire operation) are classified as "held for sale" if they are no longer in use and Swiss Post intends to dispose of them. Non-current assets held for sale are measured at the lower of book value and fair value less costs to sell and no longer depreciated.

4 | Estimation uncertainty and management's judgement

Preparation of the consolidated financial statements requires the use of estimates and assumptions. Although these estimates and assumptions were based on the Executive Management's best knowledge of current events and possible future actions on the part of Swiss Post Group, actual results may ultimately differ from these estimates. The assumptions and estimates with the greatest risk of causing a material adjustment to the carrying amount of an asset or liability within the next financial year are explained below.

Those accounting policies that may have a material impact on the consolidated annual financial statements as a result of the Executive Management's judgments are also explained.

Estimation uncertainty in applying accounting policies

Useful lives of items of property, plant and equipment
The useful lives of items of property, plant and equipment are defined on the basis of current technical conditions and past experience. However, as a result of technological change and market conditions, actual useful lives may differ from those originally defined. In the event of differences compared with the useful lives originally defined, these are adjusted. In the event of technical obsolescence, the assets are also depreciated or sold.

Employee benefit obligations
Expenses and obligations arising from employee benefit plans are calculated annually using the projected unit credit method. The calculations are based on various actuarial assumptions such as the expected long-term return on plan assets, expected salary and pension trends and the discount rate for benefit obligations.

Fair values of financial instruments

Fair values of financial assets that are not traded publicly on a stock exchange are measured using recognized estimation methods. This requires making assumptions based on observable market information. The discounted cash flow (DCF) method is used to determine the fair value of some unquoted available-for-sale financial assets. The DCF is calculated on the basis of Bloomberg yield curves, taking the relevant parameters (rating, maturity, etc.) into account.

Goodwill

The discounted cash flow (DCF) method is used annually to determine the recoverable amount of goodwill items. The parameters reflect specific assumptions for each country and cash-generating unit. The cash flows used in the calculations are based on the strategic financial planning for the next three years and a residual value. This does not include any growth component.

Management's judgement used in applying accounting policies

Financial assets held to maturity

Investments with a fixed maturity which Swiss Post intends and is able to hold to maturity are classified as "held to maturity". If Swiss Post does not manage to hold these investments to maturity, all investments assigned to this category must be reclassified as "available for sale". As a result, they would no longer be measured at amortized cost but at fair value.

Impairment of available-for-sale and held-to-maturity financial assets and loans

Swiss Post follows the guidance set out in IAS 39 "Financial Instruments: Recognition and Measurement" to determine whether there is evidence of impairment. In measuring impairment, the management takes into account various factors such as maturity, sector, outlook, technological conditions, etc.

5 | Segment information

Bases

The operating segments were determined based on the organizational units for which information is reported to the Management of the Group. In doing so, no operating segments were aggregated. Transactions between the segments are based on a catalogue of services and a manual covering transfer prices. Transfer prices are calculated on the basis of commercial criteria. The results of the Post Offices & Sales, PostLogistics, PostMail and Swiss Post International segments are shown after charging process costs relating to acceptance, transport and delivery services. The result of Post Offices & Sales comprises income from logistics products for private customers, non-postal brand-name items and the costs not covered by charging internal services. For information on the composition of segment assets, please see the separate section "Composition of segment assets and liabilities".

Note 34 (Consolidated Group) shows the segments to which the accounting units of the parent and the subsidiaries have been assigned.

Segmentation

Segmentation	Description
Communications market	
PostMail	Services relating to addressed letters, newspapers, unaddressed items.
Swiss Post International	Mailing and receipt of letters and parcels to and from other countries and related services in other countries, mailing of newspapers/magazines.
Swiss Post Solutions	Services in new markets such as dialogue marketing, document and customer management.
Post Offices & Sales	Sales channel for postal products/services and additionally for third-party products for private customers and small and medium-sized enterprises.
Logistics market	
PostLogistics	Parcels, express and courier deliveries, transport, logistics services.
Retail financial market	
PostFinance	Services relating to payments, investments, retirement planning and financing.
Public passenger transport market	
PostBus	Road-based passenger transport and supplementary services.
Other	Units of the parent which cannot be assigned to the segments such as services (Real Estate, Information Technology, Purchasing and Language Services) and management units (i.a. HR, Finance and Communication)
Consolidation	Effects of intra-Group elimination

Geographical information

Geographical information is disclosed as follows. Information is presented, firstly, according to the location of the revenue-generating subsidiary (Europe, Americas, Asia) and, secondly, according to the location at which the revenue was generated, which is either Switzerland or "International and cross-border" (see Pages 52 – 53). The "International and cross-border" segment includes the total revenue of Swiss Post International and all foreign subsidiaries.

Statutory mandates

Statutory mandates require Swiss Post to provide a universal service throughout Switzerland. Pricing within the universal service is not at Swiss Post's discretion. Price changes affecting reserved services (monopoly) are subject to approval by the Federal Department of the Environment, Transport, Energy and Communications (DETEC). The price watchdog can also check the prices of other services at any time, owing to Swiss Post's dominant market position.

Based on the Postal Act, Swiss Post provides reserved, non-reserved and competitive services. Reserved services (where Swiss Post has a monopoly) are provided by the PostMail (addressed letters) and Swiss Post International (mailing and receipt of international letters) segments.

The monopoly limit was lowered to 100 grams on 1 April 2006 and to 50 grams on 1 July 2009. Swiss Post can thus continue to ensure a high-quality basic service at affordable prices. By providing a basic postal service, it is helping to strengthen the public service in Switzerland.

State compensation

For providing legally required services Swiss Post receives the following compensation from the Swiss Confederation, which is disclosed under "Net sales from logistics services":

- Segment PostMail: 30 million francs (previous year: 30 million francs) for uncovered costs incurred in transporting newspapers.
- Segment PostBus: 156 million francs (previous year: 155 million francs) for public passenger transport services provided.

Composition of segment assets and liabilities

As far as possible the assets and liabilities resulting from a segment's operating activities are assigned to the appropriate segments. As the PostFinance result includes financial income and costs relating to operations, the corresponding interest-bearing assets and liabilities are accounted for in the segment's assets and liabilities.

The "Other" column includes mainly the following items in the segment's assets and liabilities:

- the carrying amounts of the parent's centrally managed properties
- Employee benefit obligations

Unallocated assets and liabilities comprise those (primarily loans, e.g. to PostBus entrepreneurs) that are essentially financial and therefore not assigned to segment assets or segment liabilities.

Further information

Non-cash income and expenses primarily include those incurred in recognizing and reversing provisions without affecting cash.

Results by business segment and region

Result by business segment 2011 CHF million	Notes	PostMail	Swiss Post International	Swiss Post Solutions	Post Offices & Sales	PostLogistics	PostFinance	PostBus [1]	Others [2]	Consolidation	Group
Operating income											
from customers		2,065	687	484	1,072	1,020	2,440	713	118		8,599
from other segments		510	93	65	634	419	11	6	827	–2,565	–
Total operating income		**2,575**	**780**	**549**	**1,706**	**1,439**	**2,451**	**719**	**945**	**–2,565**	**8,599**
Operating result		**210**	**51**	**11**	**–151**	**151**	**591**	**33**	**12**		**908**
Financial result	12, 13										5
Result associates	23	0	14	–5	–	–	3	0	0		12
Income taxes	14										–21
Group profit											**904**
Segment assets		460	460	310	498	462	104,321	280	4,802	–4,275	107,318
Associates		3	20	6	–	–	18	2	4		53
Unallocated assets [3]											883
Total assets											**108,254**
Segment liabilities		300	422	172	650	348	103,247	332	1,569	–4,275	102,765
Unallocated liabilities [3]											610
Total liabilities											**103,375**
Investment in property, plant and equipment and intangible assets	24–26	31	4	20	13	66	18	56	210		418
Depreciation and amortization	24–26	38	10	17	7	59	10	31	114		286
Impairments	17, 24–26	–	9	–	–	0	95	–	–		104
Appreciations in value	24–26	–	–	–	–	–	12	–	–		12
Other non-cash income/(expenses)		–10	–3	–5	–3	–18	–2	–20	–188		–249
Workforce [4]		16,908	1,204	6,407	6,827	5,345	3,425	2,067	2,165		44,348

1 The PostBus segment is subject to the Passenger Transport Act (PBG), which provides for separate accounting regulations for franchised transport businesses (RKV). There are differences between the RKV and the IFRS results.
2 Contains service units (Property, IT, Group Procurement and Language Services) and management units (i.e. HR, Finance and Communication).
3 Unallocated assets and liabilities comprise those that essentially contribute to net financial income/finance costs rather than to the operating result and therefore are not assigned to segment assets or segment liabilities.
4 Average expressed in terms of full-time equivalents (excl. trainees).

Result by region 2011 CHF million	Notes	Europe	America	Asia	Consolidation	Group	Switzerland	International and cross-border	Consolidation	Group
Operating income from customers		8,484	87	28	–	8,599	7,504	1,095	–	8,599
Operating result		905	1	2	–	908	856	52	–	908
Segment assets		108,154	36	11	–883	107,318	107,702	499	–883	107,318
Investment in property, plant and equipment and intangible assets	24–26	415	2	1	–	418	380	38	–	418

Result by business segment

2010 CHF million	Notes	PostMail	Swiss Post International	Swiss Post Solutions	Post Offices & Sales	PostLogistics	PostFinance	PostBus [1]	Others [2]	Consolidation	Group
Operating income											
from customers		2,107	690	609	1,092	1,052	2,379	685	122		8,736
from other segments		512	98	56	677	426	10	17	846	–2,642	–
Total operating income		**2,619**	**788**	**665**	**1,769**	**1,478**	**2,389**	**702**	**968**	**–2,642**	**8,736**
Operating result		**199**	**49**	**7**	**–108**	**164**	**571**	**28**	**20**		**930**
Financial result	12, 13										0
Result associates	23	0	9	–6	–	–	4	0	0		7
Income taxes	14										–27
Group profit											**910**
Segment assets		447	501	327	518	447	89,282	266	4,260	–3,607	92,441
Associates		3	16	8	–	–	17	2	4		50
Unallocated assets [3]											819
Total assets											**93,310**
Segment liabilities		297	471	182	626	318	88,191	340	1,675	–3,607	88,493
Unallocated liabilities [3]											593
Total liabilities											**89,086**
Investment in property, plant and equipment and intangible assets	24–26	11	2	22	10	67	10	41	176		339
Amortization	24–26	39	10	27	5	59	12	31	113		296
Impairments	17, 24–26	–	4	2	–	1	23	6	–		36
Reversal of impairment	24–26	–	–	–	–	–	1	–	–		1
Other non-cash income/(expenses)		–21	–5	–1	–2	–7	0	–21	–194		–251
Workforce [4]		17,092	1,251	6,992	6,928	5,319	3,265	2,012	2,270		45,129

1 The PostBus segment is subject to the Passenger Transport Act (PBG), which provides for separate accounting regulations for franchised transport businesses (RKV). There are differences between the RKV and the IFRS results.
2 Contains service areas (Property, IT, Group Procurement and Language Services) and management units(i.e. HR, Finance and Communication).
3 Unallocated assets and liabilities comprise those that essentially contribute to net financial income/finance costs rather than to the operating result and therefore are not assigned to segment assets or segment liabilities.
4 Average expressed in terms of full-time equivalents (excl. trainees).

Result by region

2010 CHF million	Notes	Europe	America	Asia	Consolidation	Group	Switzerland	International and cross-border	Consolidation	Group
Operating income from customers		8,624	88	24	–	8,736	7,518	1,218	–	8,736
Operating result		926	4	0	–	930	906	24	–	930
Segment assets		93,219	32	9	–819	92,441	92,667	593	–819	92,441
Investment in property, plant and equipment and intangible assets	24–26	339	0	0	–	339	313	26	–	339

6 | Net income from financial services

By presenting net income from financial services in the following format, Swiss Post takes account of the character of these financial services. Net income is broken down into individual items in line with banking practice.

Net income from financial services CHF million	2011	2010
Interest income		
Interest income on receivables due from financial institutions	5	4
Interest income on securities-lending and reverse repurchase transactions	22	21
Interest income on interest-bearing amounts due from customers	9	9
Interest and dividend income on financial assets	1,540	1,513
Interest expense		
Interest expense for customer deposits (PostFinance)	–468	–480
Interest expense for amounts due to financial institutions	0	0
Interest expense on repurchase transactions	0	0
Net interest result	**1,108**	**1,067**
Impairment of financial assets	–83	–23
Losses on payment transactions	–8	–6
Net interest result, net of impairment	**1,017**	**1,038**
Commission income on lending business	85	82
Commission income on securities and investment business	29	27
Commission income on other services	44	37
Commission expenses	–103	–103
Result from services	496	484
Net services and commission income	**551**	**527**
Net trading result	149	129
Net result from FVTPL [1]: designated	–2	0
Net result from the disposal of available-for-sale financial assets	4	3
Other net financial results	–8	–8
Result from financial services	**1,711**	**1,689**
Shown in the consolidated statement of comprehensive income under:		
Income from financial services	2,439	2,378
Expenses for financial services	–728	–689

1 FVTPL: financial assets at fair value through profit or loss (designated).

7 | Other operating income

Other operating income CHF million	2011	2010
Rental income	59	60
Gains on disposal of property, plant and equipment	44	49
Other income	101	97
Total other operating income	**204**	**206**

Miscellaneous other income consists mainly of professional fees for management of public transport, sale of advertising space, military mail and charges for the collection of VAT and customs duties.

8 | Staff costs

Composition

Breakdown of staff costs

CHF million	Notes	2011	2010
Wages and salaries		3,343	3,407
Social security benefits		360	369
Employee benefit expenses	9	213	201
Other staff costs		110	99
Total staff costs		**4,026**	**4,076**

Headcount

Headcount

Number of employees [1]	2011	2010
Employees at Swiss Post Group (excluding trainees)	44,348	45,129
Employees at Swiss Post, the parent company (excluding trainees)	30,088	30,246
Trainees at Swiss Post Group	1,979	1,903

1 Average expressed in terms of full-time equivalents.

9 | Staff pension plan

There are various employee benefit institutions in Switzerland and abroad. Most of the employees are insured with the Swiss Post pension fund foundation under a Duoprimat (combined defined benefit and defined contribution) scheme in accordance with the Swiss federal law on occupational pension provision (BVG). The plans insure staff employed by Swiss Post, affiliated organizations and companies and PostBus entrepreneurs (to the extent that the latter are deployed in operating PostBus routes) against the financial consequences of old age, death and disability. The retirement benefits of all active members are calculated on a defined contribution basis and the risk cover (death and disability) on a defined benefit basis. Risk cover commences on 1 January after employees reach 17 years of age. Retirement insurance then commences on 1 January after insured employees reach 21 years of age if they have entered into a regular contract of employment under which they are compensated by way of a monthly salary for more than three months and the applicable annual salary exceeds two eighths of the maximum old age pension under Swiss Old Age and Survivors' Insurance (AHV). The calculations in accordance with IAS 19 also factor in material benefit plans in Switzerland and the benefit solution of the SPS Group in Germany. The other benefit plans are immaterial in the context of the consolidated annual financial statements.

Actuarial assumptions

The following parameters were applied in performing the calculations:

Actuarial assumptions made in calculating annual employee benefit expenses

Percent	2011	2010
Discount rate	2.75	3.25
Expected long-term return on plan assets	4.00	4.25

Actuarial assumptions on 31 December

Percent	2011	2010
Discount rate	2.50	2.75
Expected change in wages	2.00	2.00
Pension indexation	0.00	0.00
Staff turnover	3.89	3.90

Long-term employee benefits are shown and described under Note 28, Provisions.

Annual costs

Employee benefit expenses CHF million	2011	2010
Accrued benefit claims	504	460
Interest on employee benefit obligations	444	479
Expected return on assets	–559	–553
Amortization of retroactive benefit improvements	0	0
Employee contributions	–187	–185
Other	14	–8
Employee benefit expenses arising from defined benefit plans	**216**	**193**
Employee benefit expenses for PostBus entrepreneurs recognized under "Compensation paid to PostBus entrepreneurs"	–8	–7
Employee benefit expenses for other benefit plans	5	15
Group employee benefit expenses	**213**	**201**
Actual return on plan assets	100	668

Transactions between the Swiss Post pension fund foundation and Swiss Post are subject to standard market terms and conditions.

Cover status

Statement of recognized employee benefit obligations arising from material defined benefit plans mainly of the Swiss Post pension fund foundation and the SPS Group:

Summary of cover status CHF million	31.12.2011	31.12.2010
Present value of employee benefit obligations including assets set aside	16,760	16,272
Benefit plan assets at fair value	–13,780	–13,717
Shortfall	**2,980**	**2,555**
Unrecognized actuarial losses [1]	–2,335	–1,558
Non-amortized plan amendment costs	34	34
Employee benefit obligations excluding assets set aside	6	6
Total recognized employee benefit obligations	**685**	**1,037**
Employee benefit obligations from other benefit plans	1	1
Recognized employee benefit obligations arising from defined benefit plans	**686**	**1,038**

1 This amount corresponds to cumulative actuarial gains/losses arising from the difference between assumed and actual amounts and from adjustments to actuarial assumptions.

Change in recognized employee benefit obligations arising from defined benefit plans

Change in recognized employee benefit obligations arising from defined benefit plans
CHF million

	2011	2010
Balance on 1 January	**1,037**	**1,551**
Employee benefit expenses arising from defined benefit plans	216	193
Employer contributions	–468 [1]	–455 [1]
Appropriation of profits [2]	– 100	–250
Benefits paid directly by the employer	–1	–1
Currency translation differences	0	–2
Additions to the consolidated Group	1	1
Balance on 31 December	**685**	**1,037**
of which:		
current, i.e. payments falling due within the next twelve months	275	265
non-current	410	772

1 In both 2010 and 2011, 150 million francs were deposited in the employer's reserve of the Swiss Post pension fund. In 2011, restructuring contributions were also made in the amount of around 40 million francs (previous year: 40 million francs).
2 In accordance with a decision by the Swiss Federal Council, a further 100 million francs were deposited in the employer's reserve of the Swiss Post pension fund in appropriating profit for 2010 (previous year: 250 million francs). As a result of profit being thus appropriate, capital reserves increased by the same amount.

Change in employee benefit obligations

Change in employee benefit obligations
CHF million

	2011	2010
Balance on 1 January	**16,278**	**15,170**
Accrued benefit claims	504	460
Benefits paid from plan assets	–803	–774
Benefits paid directly by the employer	–1	–1
Interest on employee benefit obligations	444	479
Company acquisitions	3	1
Actuarial (gains)/losses	317	954
Currency translation differences	0	–2
Other	24	–9
Balance on 31 December	**16,766**	**16,278**
Employee benefit obligations including assets set aside	16,760	16,272
Employee benefit obligations excluding assets set aside	6	6
Total employee benefit obligations	**16,766**	**16,278**

Change in plan assets

Change in fair value of plan assets CHF million	2011	2010
Balance on 1 January	**13,717**	**12,934**
Employee contributions	187	185
Employer contributions	468 [1]	455 [1]
Benefits paid	–803	–774
Expected return on assets	560	553
(Losses)/Gains on plan assets	–460	115
Additions to the consolidated Group	11	0
Appropriation of profits [2]	100	250
Currency translation differences	0	0
Other	0	–1
Balance on 31 December	**13,780**	**13,717**

1 In both 2010 and 2011, 150 million francs were deposited in the employer's reserve of the Swiss Post pension fund. In 2011, restructuring contributions were also made in the amount of around 40 million francs (previous year: 40 million francs).
2 In accordance with a decision by the Swiss Federal Council, a further 100 million francs were deposited in the employer's reserve of the Swiss Post pension fund in appropriating profit for 2010 (previous year: 250 million francs). As a result of profit being thus appropriate, capital reserves increased by the same amount.

Asset classes

Asset classes and expected return	Expected long-term return	Percentage of total assets measured at fair value	
Percent		31.12.2011	31.12.2010
Bonds	2.42	54	51
Equities	6.42	27	28
Real Estate	4.42	8	7
Other	5.42	11	14
Total	**4.00**	**100**	**100**

The assets of the Swiss Post pension fund do not include any Swiss Post assets or real estate leased by Swiss Post.

Change in the shortfall

Change in the shortfall CHF million	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Employee benefit obligations	16,760	16,278	15,170	15,205	15,213
Plan assets	–13,780	–13,717	–12,934	–11,651	–13,548
Shortfall	**2,980**	**2,561**	**2,236**	**3,554**	**1,665**
Experience adjustments to plan liabilities					
Amount	–63	143	63	131	9
in percent	–0.4	0.4	0.4	0.9	0.1
Experience adjustments to plan assets					
Amount	–460	115	597	–2,445	–480
in percent	–3.3	0.8	4.6	–21.0	–3.5

Experience adjustments (plan liabilities, plan assets) document the discrepancies between the planning assumptions and the actual changes in the year in question.

10 | Total resale merchandise and service expenses

Resale and merchandise expenses CHF million	2011	2010
Working materials, work in progress and finished goods	56	89
Resale merchandise expenses	520	532
Compensation paid to PostBus entrepreneurs	306	294
Compensation paid to forwarding companies	353	368
Compensation paid for international postal traffic	182	170
Temporary employees	103	105
Total resale merchandise and service expenses	**1,520**	**1,558**

Expenses for working materials, semifinished and finished goods as a result of the deconsolidation of the mail activities and of exchange rate developments at Swiss Post Solutions (see also Note 5, Segment information).

11 | Other operating expenses

Other operating expenses CHF million	2011	2010
Premises	220	229
Maintenance and repair of property, plant and equipment	224	208
Energy and fuel	62	65
Operating materials	58	54
Office and administrative expenses	204	199
Marketing and communications	94	113
Loss on disposal of property, plant and equipment	4	2
Miscellaneous other expenses	258	304
Total other operating expenses	**1,124**	**1,174**

The fall in expenses for marketing and communications is down to a one-off customer campaign in 2010. The other expenses fell predominantly due to exchange rate developments and the deconsolidation of mail activities at Swiss Post Solutions (see also Note 5, Segment information).

12 | Financial income

Financial income CHF million	2011	2010
Interest income on other loans	13	11
Net gains on disposal of financial assets	5	2
Foreign exchange gains	4	5
Other financial income	2	2
Total financial income	**24**	**20**

Income from PostFinance’s financial services business is posted as “Income from financial services”.

13 | Financial expenses

Financial expenses CHF million	Notes	2011	2010
Interest expense on other financial liabilities		1	3
Present value adjustments to provisions	28	0	0
Interest charges on finance leases	27	1	0
Foreign exchange losses		12	15
Other finance costs		5	2
Total finance costs		**19**	**20**

Expenses arising from PostFinance’s financial services business are posted as “Expenses for financial services”.

14 | Income taxes

Income taxes CHF million	2011	2010
Expense for current income taxes	13	12
Expense for deferred income taxes	8	15
Total income tax expense	**21**	**27**

With the exception of profits from competitive services, the vast majority of the Swiss Post organization’s business is not subject to tax. In December 2010, the Swiss Parliament passed the revised Postal Organization Act and the Postal Act. Swiss Post will be fully subject to tax from 1 January 2013. This change in the law will have a significant effect on the tax burden from 1 January 2013.

Deferred taxes relating to items in the balance sheet:

Deferred taxes relating to items in the balance sheet:	31 December 2011			31 December 2010		
CHF million	Deferred tax assets	Deferred tax liabilities	Net assets/ (liabilities)	Deferred tax assets	Deferred tax liabilities	Net assets/ (liabilities)
Property, plant and equipment	0	0	0	1	–1	0
Intangible assets	10	–2	8	15	–1	14
Other financial liabilities	0	0	0	0	0	0
Other liabilities	0	–1	–1	0	0	0
Provisions	0	–2	–2	1	–2	–1
Employee benefit obligations	21	0	21	23	0	23
Other items in the balance sheet	2	–3	–1	1	–2	–1
Deferred taxes arising from temporary differences	**33**	**–8**	**25**	**41**	**–6**	**35**
Tax assets recognized for loss carryforwards	15		15	17		17
Deferred tax assets/liabilities, gross	**48**	**–8**	**40**	**58**	**–6**	**52**
Deferred tax assets/liabilities, previous year	–58	6	–52	–77	9	–68
Changes in the composition of the Group	0	3	3	0	0	0
Deferred taxes taken to other comprehensive income	0	1	1	0	0	0
Foreign exchange effects	0	0	0	2	–1	1
Deferred taxes recognized in the statement of comprehensive income	**–10**	**2**	**–8**	**–17**	**2**	**–15**

Deferred tax assets of 48 million francs (previous year: 58 million francs) are comprised mainly of tax loss carryforwards, temporary differences on intangible assets and employee benefit provisions under IAS 19 that are not accepted for tax purposes. Deferred tax assets are recognized only for deductible temporary differences and tax loss carryforwards to the extent that it is probable that the tax income will be realized.

Deferred tax liabilities of 8 million francs (previous year: 6 million francs) are mainly the result of temporary differences between the carrying amounts and tax base of intangible assets and other items in the balance sheet as well as temporary differences arising on provisions.

Unused loss carryforwards

Unused loss carryforwards	31 December 2011			31 December 2010		
CHF million	Recognized	Not recognized	Total	Recognized	Not recognized	Total
1 year	3	5	8	5	7	12
2 to 6 years	45	140	185	57	255	312
In more than 6 years	12	12	24	12	56	68
Total unused loss carryforwards	**60**	**157**	**217**	**74**	**318**	**392**

Tax loss carryforwards of 157 million francs (previous year: 318 million francs) were not recognized as assets at Swiss Post Group, as it seems uncertain that they will be utilized in the future. Most tax loss carryforwards expire after seven years.

Analysis of the expense for income taxes

The following breakdown shows the reconciliation from taxable profit to the provision for income taxes accounted for. The weighted average tax rate to be applied is 22.6 percent (previous year: 23.2 percent). The reduction of the Group tax rate by 0.6 percent is down to the modified composition of the subsidiaries considered for the tax rate determination.

Reconciliation from taxable profit to provision for income taxes accounted for CHF million	2011	2010
Profit before tax	925	937
Profits of the parent company exempt from tax on earnings	795	829
Taxable profit	**130**	**108**
Weighted average tax rate	22.6 %	23.2 %
Provision for income taxes at average weighted tax rate	**29**	**25**
Reasons for surplus/shortfall:		
use of non-recognised loss carryforwards	–22	–15
Waiver of recognition of deferred taxes on period loss	–	–2
Non-deductible goodwill writedowns	–	0
Other expenses not deductible for tax purposes	–	0
Back taxes and tax refunds from previous years	2	0
Profit/loss at different tax rates	–	0
Change in impairment for deferred tax assets	–3	3
Change in tax rates	0	0
Other effects	15 [1]	16 [1]
Expenses for income taxes stated	**21**	**27**

1 Predominantly use of loss carryforwards and changes in temporary differences.

15 | Receivables

A receivable is entered during a reverse repurchase transaction. This reflects the right of Swiss Post to retain the cash deposit. Securities received as part of reverse repurchase transactions are recognized in the balance sheet only if risks and opportunities are entered. The fair values of the securities received are monitored to provide or reclaim additional collateral, where required.

Furthermore, no assets have been pledged (as collateral) for receivables.

Receivables by type	31 December 2011			31 December 2010		
CHF million	Gross	Impairments	Net	Gross	Impairments	Net
Receivables due from financial institutions [1]	31,631	97	31,534	13,282	97	13,185
Interest-bearing amounts due from customers	84	3	81	508	3	505
Trade accounts receivable	938	11	927	909	12	897
Other receivables	1,073	2	1,071	1,133	2	1,131
Total receivables	**33,726**	**113**	**33,613**	**15,832**	**114**	**15,718**
[1] of which receivables from the reverse repurchase transaction			14,038			10,100
and covered by securities with a market value of			14,038			10,100

Receivables due dates

Receivables by due date	31 December 2011			31 December 2010		
CHF million	Total	Total due in up to 3 months	Due in over 3 months	Total	Total due in up to 3 months	Due in over 3 months
Receivables due from financial institutions	31,534	31,372	162	13,185	12,737	448
Interest-bearing amounts due from customers	81	81	–	505	505	–
Trade accounts receivable	927	649	278	897	600	297
Other receivables	1,071	134	937	1,131	107	1,024
Total receivables	**33,613**	**32,236**	**1,377**	**15,718**	**13,949**	**1,769**

Receivables due from financial institutions are comprised of current account balances, money market instruments and reverse repurchase transactions. The current accounts relate mainly to Swiss Post's international payment transactions. The money market instruments and reverse repurchase transactions arise from the management of customer deposits. Securities cover for reverse repurchase transactions is recognized on a daily basis at current fair values.

Receivables from financial institutions rose compared with 31 December 2010 by around 18 billion francs. The increase is due mainly to additional liquid reserves deposited for the most part at the Swiss National Bank.

Interest-bearing amounts due from customers are technical overdrafts on postal accounts and receivables from reverse repo transactions with insurance companies.

In the reporting period, interest income calculated in accordance with the effective interest method amounted to 6 million francs on receivables due from banks (previous year: 4 million francs) and 9 million francs on interest-bearing amounts due from customers (previous year: 9 million francs).

Trade accounts receivable and other receivables are of a short-term nature and therefore are not discounted.

Overdue receivables for which individual impairment charges are not recognized

Swiss Post writes down receivables if it expects a loss in respect of those receivables because the debtor will probably be unable to fulfil its contractual obligations. Overdue receivables for which there are no clear indications of impairment are placed on a watchlist and monitored.

Overdue receivables for which individual impairment charges are not recognized	31 December 2011				31 December 2010			
CHF million	1–90 days	91–180 days	181–365 days	> 1 year	1–90 days	91–180 days	181–365 days	> 1 year
Receivables due from financial institutions	–	–	–	–	–	–	–	–
Interest-bearing amounts due from customers	73	3	5	3	73	58	4	3
Trade accounts receivable	71	2	5	8	46	4	4	7
Other receivables	2	1	1	4	1	0	0	1
Total receivables	**146**	**6**	**11**	**15**	**120**	**62**	**8**	**11**

Receivables for which impairment charges are recognized

Outstanding receivables are checked on a regular basis by means of a risk analysis specified by the Group. Individual impairment charges for receivables are determined based on the difference between the nominal amount of the receivables and the estimated net amount recoverable.

Items that are not written down individually are subject to a general impairment charge based on statistical analyses from previous years.

Receivables for which impairment charges are recognized	31 December 2011			31 December 2010		
CHF million	Gross	Impairments	Net	Gross	Impairments	Net
Individual impairment charges						
Receivables due from financial institutions	107	–97	10	108	–97	11
Interest-bearing amounts due from customers	0	0	0	0	0	–
Trade accounts receivable	10	–7	3	8	–7	1
Other receivables	4	–2	2	3	–2	1
Total receivables for which individual impairment charges are recognized	**121**	**–106**	**15**	**119**	**–106**	**13**
General impairment charges						
Interest-bearing amounts due from customers	85	–3	82	138	–3	135
Trade accounts receivable	801	–4	797	743	–5	738
Other receivables	1	0	1	0	0	0
Total receivables for which general impairment charges are recognized	**887**	**–7**	**880**	**881**	**–8**	**873**

Changes in impairment of receivables

Changes in impairment of receivables	Receivables due from financial institutions		Interest-bearing amounts due from customers		Trade accounts receivable		Other receivables	
CHF million	Individual impairment charges	General impairment charges	Individual impairment charges	General impairment charges	Individual impairment charges	General impairment charges	Individual impairment charges	General impairment charges
Balance on 1 January 2011	**97**	**–**	**0**	**3**	**7**	**5**	**2**	**0**
Impairment	–	–	–	0	2	1	0	0
Reversal of impairment	0	–	0	–	–1	–1	–	–
Reclassifications	–	–	–	–	0	0	–	–
Disposals	–	–	–	–	–1	–1	–	–
Currency translation differences	–	–	–	–	0	0	0	–
Balance on 31 December 2011	**97**	**–**	**0**	**3**	**7**	**4**	**2**	**0**
Balance on 1 January 2010	**97**	**–**	**0**	**2**	**9**	**5**	**2**	**0**
Impairment	0	–	0	1	2	2	0	0
Reversal of impairment	–	–	–	–	–2	–1	0	–
Reclassifications	–	–	–	–	0	0	–	–
Disposals	–	–	–	–	–1	–1	0	–
Currency translation differences	–	–	–	–	–1	–	0	–
Balance on 31 December 2010	**97**	**–**	**0**	**3**	**7**	**5**	**2**	**0**

16 | Inventories

Inventories CHF million	31.12.2011	31.12.2010
Resale merchandise	39	42
Fuel and operating materials	26	17
Working and production materials	10	14
Work in progress and finished goods	2	2
Impairment charge for inventories which are not easily marketable	0	0
Total inventories	**77**	**75**

17 | Financial assets

Financial assets CHF million	FVTPL[1] Designation	Held to maturity	Available for sale	Derivative financial instruments	Loans	Total
Notes	18	19	20	21	22	
Balance on 1 January 2011	–	**60,104**	**1,476**	**191**	**11,272**	**73,043**
Additions	–	4,545	60	–	5,014	9,619
Change in value recognized in profit and loss	–	–196	–17	–	–5	–218
Change in value not recognized in profit and loss	–	–	–27	–	–	–27
Change in value of derivatives	–	–	–	–64	–	–64
Impairment, net	–	–88	–7	–	11	–84
Disposals	–	–8,131	–370	–	–4,139	–12,640
Balance on 31 December 2011	–	**56,234**	**1,115**	**127**	**12,153**	**69,629**
Balance on 1 January 2010	**17**	**49,435**	**1,913**	**113**	**9,651**	**61,129**
Additions	–	21,501	351	–	3,985	25,837
Changes in value recognized in profit and loss	0	–391	–125	–	–5	–521
Changes in value not recognized in profit and loss	–	–	5	–	–	5
Changes in value of derivates				78		78
Impairment, net	–	–13	–9	–	0	–22
Disposals	–17	–10,428	–659	–	–2,359	–13,463
Balance on 31 December 2010	–	**60,104**	**1,476**	**191**	**11,272**	**73,043**

1 FVTPL: financial assets at fair value through profit or loss (designated).

Despite a fresh, strong inflow of customer deposits in 2011, due to extraordinarily low interest rates in capital markets and an intended shortening of the duration of financial assets, a further building up was not carried out. Available-for-sale financial assets and derivative financial instruments are presented at fair value if the latter can be directly derived from prices on publicly organized or standardized markets. Items for which there are no "official" price quotations are measured on the basis of yield curves, risk premiums and derivatives quotations (credit default swaps).

Financial assets classified as held to maturity and loans are measured at amortized cost.

The difference between the carrying amounts presented and the fair values calculated for held-to-maturity items using the same method as for available-for-sale assets is disclosed under Note 19, Financial assets held to maturity.

The decrease in derivative financial instruments (positive fair values) is due mainly to exchange rate movements. An amount of 124 million francs (previous year: 185 million francs) was posted under derivative financial instruments (positive fair values) in accordance with hedge accounting requirements (see Note 21, Derivative financial instruments).

The recoverable amount of the bonds is systematically reviewed. Assets with one of the following characteristics undergo a closer assessment:

- Non-investment-grade rating (< BBB–)
- Quoted market price of less than 60 percent
- A price cannot be reliably determined
- Previously mentioned in the context of impairment

The assessment was carried out while preparing the annual financial statements.

The impairment charges recognized on financial assets in 2011 totalled 84 million francs. Of this, 7 million francs are the result of adverse price changes affecting equity holdings. In the case of fixed-rate assets of the held-to-maturity category, individual impairment charges totalling 8 million francs for bonds and general impairment charges totalling 80 million francs were recognized. The general impairments are down primarily to the strong increases of credit spreads as a result of uncertainty in financial markets and due also to revised, more risk-oriented assumptions for determining the general impairments. For loans to public bodies in Switzerland, the revised method resulted in a value appreciation of 12 million francs. Impairments of about 1 million francs were recognized on the other loans.

Financial assets include securities loaned for securities lending of 8,756 million francs (previous year: 10,345 million francs).

18 | At fair value through profit or loss, designation

On 31 December 2011 and 31 December 2010, there was no "financial assets at fair value through profit or loss" designation.

No dividend income was generated in the "valued at fair value through profit or loss" designation category in either the reporting period or the previous year.

19 | Financial assets held to maturity

Financial assets held to maturity		Term to maturity		
CHF million	Total	Up to 1 year	1–5 years	Over 5 years
31 December 2011				
Bonds	56,234	6,158	26,062	24,014
Total held to maturity	**56,234**	**6,158**	**26,062**	**24,014**
Measured at fair value	58,499			
31 December 2010				
Bonds	60,104	8,090	24,274	27,740
Total held to maturity	**60,104**	**8,090**	**24,274**	**27,740**
Measured at fair value	61,329			

Of the reported fair value of 58,499 million francs (previous year: 61,329 million francs), a total of 44,269 million francs (76 percent) (previous year: 44,747 million francs, 73 percent) is comprised of quoted securities. The remaining 14,230 million francs (24 percent) (previous year: 16,582 million francs; 27 percent) are market prices determined indirectly (via cash flows discounted using yield curves and credit spreads).

According to the actual interest method an interest income of 1,261 million francs was achieved (previous year 1,224 million francs).

Overdue financial assest without indivual impairment charge held till maturity

On neither 31 December 2011 nor 31 December 2010 were there overdue held-to-maturity financial assets for which individual impairment charges were not recognized.

Held-to-maturity financial assets for which impairment charges are recognized

In particular, fair value changes and downgrades of existing investments are given consideration as indications of possible impairment. Individual impairment charges are recognized if an issuer is known to be in significant financial difficulty or if interest and principal payments cease to be made in accordance with the terms of the contract.

If there is no objective evidence that an individual financial instrument is impaired, assets are assessed for impairment on a portfolio or collective basis. Financial instruments with similar credit risks are grouped together and become subject to a general impairment charge based on statistical analyses.

Held-to-maturity financial assets for which impairment charges are recognized	31 December 2011			31 December 2010		
CHF million	Gross	Impairments	Net	Gross	Impairments	Net
Individual impairment charges						
Bonds	16	–8	8	–	–	–
Total held-to-maturity financial assets for which individual impairment charges are recognized	**16**	**–8**	**8**	**–**	**–**	**–**
General impairment charges						
Bonds	56,382	–164	56,218	60,189	–85	60,104
Total held-to-maturity financial assets for which general impairment charges are recognized	**56,382**	**–164**	**56,218**	**60,189**	**–85**	**60,104**

No assets have been pledged (as collateral) for held-to-maturity financial assets.

Changes in impairment of held-to-maturity financial assets

Changes in impairment of held-to-maturity financial assets CHF million	Impairment charges	General impairment charges	Total
Balance on 1 January 2011	**–**	**85**	**85**
Impairment	8	79	87
Balance on 31 December 2011	**8**	**164**	**172**
Balance on 1 January 2010	**–**	**72**	**72**
Impairment	–	13	13
Balance on 31 December 2010	**–**	**85**	**85**

20 | Financial assets available for sale

Financial assets available for sale		Term to maturity			
CHF million	Total	Up to 1 year	1–5 years	Over 5 years	none
31 December 2011					
Bonds	865	282	506	77	–
Equities	249	–	–	–	249
Other	1	1	0	–	0
Total available for sale	**1,115**	**283**	**506**	**77**	**249**
31 December 2010					
Bonds	1,199	196	585	418	–
Equities	276	–	–	–	276
Other	1	1	0	–	0
Total available for sale	**1,476**	**197**	**585**	**418**	**276**

The fair value of the available-for-sale financial assets was determined as follows:

Fair value of available-for-sale financial assets	31 December 2011				31 December 2010			
CHF million	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Bonds	865	174	691	–	1,199	206	993	–
Equities	249	248	0	1	276	275	0	1
Other	1	1	0	–	1	1	0	–
Total available for sale	**1,115**	**423**	**691**	**1**	**1,476**	**482**	**993**	**1**

Level 1 Fair value is determined on the basis of quoted prices in the active market for the specific financial instrument.

Level 2 Fair value is determined on the basis of the market prices of similar instruments or using valuation techniques based on inputs observable in the market.

Level 3 Fair value is determined using valuation techniques and significant inputs that are not observable in the market.

At the end of the reporting period, the balance in Level 3 was almost unchanged from the previous year at around 1 million francs.

No financial assets were transferred between Level 1 and Level 2 in either the reporting or the previous year.

Gains and losses on the disposal and early repayment of available-for-sale financial assets are presented as net result from the disposal of available-for-sale financial assets. In the reporting period, they amounted to a gain of 4 million francs (previous year: gain of 3 million francs). See also Note 6, Net result from financial services.

In the reporting period, interest income calculated in accordance with the effective interest method amounted to 34 million francs (previous year: 42 million francs).

Overdue available-for-sale financial assets for which impairment charges are not recognized

On neither 31 December 2011 nor 31 December 2010 were there any overdue available-for-sale financial assets for which individual impairment charges were not recognized.

Available-for-sale financial assets for which impairment charges are recognized

In particular, fair value changes and downgrades of existing investments are given consideration as indications of the possible impairment of fixed-rate assets. Individual impairment charges are recognized if an issuer is known to be in significant financial difficulty or if interest and principal payments cease to be made in accordance with the terms of the contract.

Impairment charges are recognized for equity instruments in the available-for-sale category if a significant (i.e. loss of 20 percent on the original purchase price) or prolonged (i.e. lasting nine months) reduction in fair value is identified.

In the event of impairment, the cumulative losses result neutrally recognized in other comprehensive income under "Fair value reserves" are reclassified in the statement of comprehensive income.

In the course of 2011, impairment charges of 7 million francs were recognized for equity holdings (previous year: 1 million francs). No impairment charges were necessary for bonds in the year under review (previous year: 8 million francs).

No assets have been pledged (as collateral) for available-for-sale financial assets.

21 | Derivative financial instruments

Derivative financial instruments	31 December 2011				31 December 2010			
CHF million	Positive fair values	Contract volume	Negative fair values	Contract volume	Positive fair values	Contract volume	Negative fair values	Contract volume
Notes	17		27		17		27	
Cash flow hedges								
Currency	122	424	–	–	180	715	–	–
Interest rate	2	137	–	–	5	429	1	30
Fair value hedges								
Currency	–	–	1	200	–	–	–	–
Interest rate	–	–	2	50	–	–	3	50
Other								
Currency	3	145	7	249	6	196	1	55
Interest rate	–	–	0	5	–	–	0	5
Total derivative financial instruments	**127**	**706**	**10**	**504**	**191**	**1,340**	**5**	**140**

The fair value of the derivative financial instruments was determined as follows:

Fair value of derivative financial instruments CHF million	31 December 2011				31 December 2010			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Positive fair values	127	–	127	–	191	–	191	–
Negative fair values	10	–	10	–	5	–	5	–

Level 1 Fair value is determined on the basis of quoted prices in the active market for the specific financial instrument.

Level 2 Fair value is determined on the basis of the market prices of similar instruments or using valuation techniques based on inputs observable in the market.

Level 3 Fair value is determined using valuation techniques and significant inputs that are not observable in the market.

Gains and losses affecting net income from sales and from the measurement at fair value of derivative financial assets are stated in net trading income. In the reporting period, they amounted to a loss of 2 million francs (previous year: gain of less than 1 million francs).

Derivatives due dates

Derivative financial instruments due dates CHF million	31 December 2011				31 December 2010			
	Positive fair values	Contract volume	Negative fair values	Contract volume	Positive fair values	Contract volume	Negative fair values	Contract volume
Notes	17		27		17		27	
Cash flow hedges								
Less than 1 year	54	316	–	–	68	577	1	30
1 to 5 years	70	245	–	–	117	567	–	–
Over 5 years	–	–	–	–	–	–	–	–
Fair value hedges								
Less than 1 year	–	–	–	–	–	–	–	–
1 to 5 years	–	–	2	50	–	–	3	50
Over 5 years	–	–	1	200	–	–	–	–
Other								
Less than 1 year	3	143	6	247	6	196	1	55
1 to 5 years	0	2	1	7	–	–	0	5
Over 5 years	–	–	–	–	–	–	–	–
Total derivative financial instruments	**127**	**706**	**10**	**504**	**191**	**1,340**	**5**	**140**

Fair value

The fair value corresponds to the market value of a derivative financial instrument, i.e. the price that would have to be paid for the conclusion of a substitute transaction if the counterparty defaults. Positive fair values are exposed to the credit risk and represent the maximum loss that the bank would suffer on the due date if the counterparty were to default. Negative fair values result if the substitute transactions were possible on more favourable terms.

Contract volume

Corresponds to the receivables side of the derivative financial instruments' underlying values.

Swiss Post acquires financial instruments predominantly for hedging purposes. Hedge accounting is applied if derivative financial instruments are effective in offsetting changes in fair value or cash flows attributable to the hedged risks. Derivatives for which hedge accounting is not applied are treated like trading instruments.

Cash flow hedges

Swiss Post is exposed both to currency fluctuations and interest rate changes. The risks associated with foreign-currency bond investments as a result of currency fluctuations are hedged using currency swaps. Fluctuations of the future interest cash flows on financial assets are hedged by interest rate swaps with various maturities. The hedging reserve is reconciled to the statement of comprehensive income at the time when the underlying transaction takes place.

On 31 December 2011 the hedging reserve amounted to 9 million francs (previous year: 18 million francs). In the year under review, 52 million francs (previous year: – 77 million francs) were transferred from the hedging reserve in the equity to the statement of comprehensive income. The overall fair value changes of the hedging instruments are included in the hedging reserves without affecting net income. Subsequently, the net interest accrued and paid/received (4 million francs; previous year: 2 million francs) and the foreign currency share (48 million francs; previous year: – 79 million francs) are transferred to the statement of comprehensive income (recycling). Thus the residual fair value change of the hedging instruments remains in the cash flow hedge reserve.

Fair value hedges

Fluctuations in fair value as a result of changes in market interest rates (LIBOR) are partly hedged using interest rate swaps. The risks associated with foreign-currency variable-rate bond investments as a result of currency fluctuations are hedged using currency swaps. In both the reporting period and the previous year, the amount recognized in profit or loss was less than 1 million francs.

See also Note 33, Risk management at PostFinance, types of financial risk and their evaluation.

22 | Loans

Loans					Term to maturity
CHF million	Total	Up to 1 year	1–5 years	Over 5 years	none
31 December 2011					
Cantons, cities and municipalities [1]	6,706	2,011	2,860	1,835	–
Financial institutions	3,420	810	1,505	1,105	–
PostBus operators	215	32	107	76	–
Others [2]	1,812	295	1,037	479	1
Total loans	**12,153**	**3,148**	**5,509**	**3,495**	**1**
31 December 2010					
Cantons, cities and municipalities [1]	5,525	826	2,977	1,722	–
Financial institutions	3,711	632	1,705	1,374	–
PostBus operators	224	34	111	79	–
Others [2]	1,812	374	804	633	1
Total loans	**11,272**	**1,866**	**5,597**	**3,808**	**1**

1 Loans to cantons, cities and municipalities, plus borrower's note loans to public entities.
2 Loans and borrower's note loans to "Other institutions" and mortgages previously granted by the Swiss Post pension fund (1 million francs, previous year 4 million francs) which were assumed by PostFinance.

In the reporting period, interest income calculated in accordance with the effective interest method amounted to 246 million francs (previous year: 247 million francs).

Overdue loans for which individual impairment charges are not recognized

Swiss Post writes down loans if it expects a loss in respect of those loans because the borrower will probably be unable to fulfil its contractual obligations.

There were no overdue loans for which individual impairment charges were not recognized on either 31 December 2011 or 31 December 2010.

Loans for which impairment charges are recognized

Loans for which impairment charges are recognized	31 December 2011			31 December 2010		
CHF million	Gross	Impairment charges	Net	Gross	Impairment charges	Net
Individual impairment charges						
Loans	1	–1	–	1	0	1
Total loans for which individual impairment charges are recognized	**1**	**–1**	**–**	**1**	**0**	**1**
General impairment charges						
Loans	10,133	–8	10,125	9,256	–20	9,236
Total loans for which general impairment charges are recognized	**10,133**	**–8**	**10,125**	**9,256**	**–20**	**9,236**

Individual impairment charges are recognized if a borrower is known to be in significant financial difficulty or if interest and principal payments cease to be made in accordance with the terms of the contract.

If there is no objective evidence that an individual loan is impaired, loans are assessed for impairment on a portfolio or collective basis. Loans with similar credit risks are grouped together and become subject to a general impairment charge based on statistical analyses.

No assets have been pledged (as collateral) for loans.

Change in impairment of loans

Change in impairment of loans CHF million	Individual impairment charges	General impairment charges	Total
Balance on 1 January 2011	**0**	**20**	**20**
Impairment	1	–	1
Reversal of impairment	–	–12	–12
Balance on 31 December 2011	**1**	**8**	**9**
Balance on 1 January 2010	**0**	**21**	**21**
Impairment	0	–	0
Reversal of impairment	–	–1	–1
Balance at 31 December 2010	**0**	**20**	**20**

23 | Investments in associates

No substantial participation in associated companies exists. In addition, there were no substantial transactions between the Group and any accociated companies (see Appendix Note 32, Associated persons and associated companies and key personnel). Further details on associated companies can be found in Note 35, Changes in scope of consolidation.

Investments in associates CHF million	2011	2010
Balance on 1 January	**50**	**39**
Additions of associates	–	14
Disposals of associates	0	–
Dividends received	–11	–9
Share of net profit (after taxes)	11	7
Capital increase/injection	3	0
Currency translation differences	0	–1
Balance on 31 December	**53**	**50**

Net income from associates

Net result from associates CHF million	2011	2010
Share of net profit (after taxes)	11	7
Gain on disposal (net)	1	–
Total net result from associates	**12**	**7**

Changes in associates

2011
The associate Hermes Porta a Porta S.p.A. based in Tribiano was sold to the majority shareholder on 18 July 2011.

MEILLERGHP GmbH was given an injection into its capital reserves of some 5.9 million euros, i.e. 7.4 million francs, (Swiss Post share 35 percent) on 30 June 2011.

2010
On 12 July 2010, capital was increased at search.ch AG (formerly Räber Information Management GmbH) by 0.08 million francs to 0.1 million francs (Swiss Post's share: 25 percent).

On 21 December 2010, Swiss Post entered into a joint venture with Austrian Post for the purposes of combining the partners' international activities in the segment for addressed promotional mailings. As part of the joint venture, the Direct Mail division of Swiss Post Solutions GmbH in Bamberg (Germany) was merged with the Austrian Post-owned meiller direct GmbH in Schwandorf (Germany) to form MEILLERGHP GmbH. Through subsidiaries, MEILLERGHP GmbH is active in the Czech Republic, Poland, Russia, France, the United Kingdom and Sweden. The strategic focus of the new company is on advising on, designing and producing addressed, customized promotional mailings. In particular, this includes producing direct mail and envelopes as well as lettershop activities. Swiss Post holds a 35 percent interest in MEILLERGHP GmbH and Austrian Post a 65 percent interest.

24 | Property, plant and equipment

Investment obligations for property, plant and equipment amount to 122 million francs (previous year: 154 million francs). The decrease is due primarily to the reclassification of the property PostParc as property held as a financial investment.

As of 31 December 2011, no items of property, plant and equipment had been pledged in relation to mortgages (31 December 2010: 4 million francs).

In 2011 borrowing costs of around 1 million francs were capitalized (previous year: 1 million francs).

Property, plant and equipment 2011 CHF million	Operating property	Assets under construction: Operating property	Equipment, machinery and IT systems	Furniture, vehicles and other assets	Assets under construction: other asset classes	Total
Procurement costs						
Balance on 1 January 2011	**5,182**	**99**	**1,004**	**667**	**14**	**6,966**
Additions due to acquisition of subsidiaries	0	–	–	0	–	0
Additions	–5 [1]	173	79	101	29	377
Disposals	–101	–9	–77	–51	–2	–240
Reclassifications	35	–104	10	3	–14	–70
Disposals arising from reclassifications in accordance with IFRS 5	–2	–	–	–38	–	–40
Currency translation differences	–1	–	–1	–2	–	–4
Balance on 31 December 2011	**5,108**	**159**	**1,015**	**680**	**27**	**6,989**
Cumulative amortization						
Balance on 1 January 2011	**3,746**	**–**	**508**	**323**	**0**	**4,577**
Amortization	96	–	89	75	–	260
Impairment	–	–	–	–	–	–
Disposals	–92	–	–72	–37	–	–201
Reclassifications	–32	–	0	–	–	–32
Disposals arising from reclassifications in accordance with IFRS 5	–2	–	–	–32	–	–34
Currency translation differences	0	–	–1	–1	–	–2
Balance on 31 December 2011	**3,716**	**–**	**524**	**328**	**0**	**4,568**
Carrying amount on 31 December 2011	**1,392**	**159**	**491**	**352**	**27**	**2,421**
of which assets in leasing	0	0	0	0	0	0

Property, plant and equipment 2010 CHF million	Operating property	Assets under construction: Operating property	Equipment, machinery and IT systems	Furniture, vehicles and other assets	Assets under construction: other asset classes	Total
Procurement costs						
Balance on 1 January 2010	**5,195**	**98**	**1,159**	**663**	**24**	**7,139**
Additions due to acquisition of subsidiaries	5	–	1	0	–	6
Disposals due to sale of subsidiaries	–37	–	–84	–3	0	–124
Additions	–3 [1]	166	46	86	26	321
Disposals	–116	–5	–132	–28	–3	–284
Reclassifications	160	–160	32	1	–33	–
Disposals arising from reclassifications in accordance with IFRS 5	–12	–	–	–41	–	–53
Currency translation differences	–10	0	–18	–11	0	–39
Balance on 31 December 2010	**5,182**	**99**	**1,004**	**667**	**14**	**6,966**
Cumulative amortization						
Balance on 1 January 2010	**3,775**	**–**	**612**	**304**	**0**	**4,691**
Amortization	94	–	105	75	–	274
Impairment	2	–	–	6	–	8
Disposals due to sale of subsidiaries	–12	–	–70	–3	–	–85
Disposals	–102	–	–127	–23	–	–252
Reclassifications	0	–	0	0	–	–
Disposals arising from reclassifications in accordance with IFRS 5	–7	–	–	–34	–	–41
Currency translation differences	–4	–	–12	–2	–	–18
Balance on 31 December 2010	**3,746**	**–**	**508**	**323**	**0**	**4,577**
Carrying amount on 31 December 2010	**1,436**	**99**	**496**	**344**	**14**	**2,389**
of which assets in leasing	0	0	0	10	0	10

1 Included is 10 million francs for 2011 and some 6 million francs for 2010 from subsidies for railway track installations.

25 | Property held as a financial investment

Property held as a financial investment	31 December 2011			31 December 2010		
CHF million	Property held as a financial investment	Property under construction held as a financial investment	Total	Property held as a financial investment	Property under construction held as a financial investment	Total
Procurement costs						
Balance on 1 January	–	–	–	–	–	–
Additions due to acquisition of subsidiaries	–	–	–	–	–	–
Disposals due to sale of subsidiaries	–	–	–	–	–	–
Additions	8	3	11	–	–	–
Disposals	–	–	–	–	–	–
Reclassifications from property, plant and equipment	–	38	38	–	–	–
Disposals arising from reclassifications in accordance with IFRS 5	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–	–
Balance on 31 December	**8**	**41**	**49**	–	–	–
Cumulative amortization						
Balance on 1 January	–	–	–	–	–	–
Amortization	0	–	0	–	–	–
Impairment	–	–	–	–	–	–
Disposals due to sale of subsidiaries	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Reclassifications from property, plant and equipment	–	–	–	–	–	–
Disposals arising from reclassifications in accordance with IFRS 5	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–	–
Balance on 31 December	**0**	–	**0**	–	–	–
Carrying amount on 31 December	**8**	**41**	**49**	–	–	–

There are obligations to invest 246 million francs in properties held as an investment (previous year: none).

The fair value expert assessments of the properties held as an investment on 31 December 2011 were formed exclusively by independent experts, who have the necessary expertise. The fair value expert assessments of the properties held as an investment will, in the future, be caried out at regular intervals.

– Valuation method: Property under construction held as a financial investment (PostParc)
  The valuation is guided by the dynamic earnings value method on the basis of a discounted cash flow method. The fair value of the property on the due evaluation date results from the sum of the anticipated payment flows (including future investments) discounted on the due date and not taking into account any change of ownership, profit from sale of land, value added tax or other costs or commissions arising if selling the property.

  The following assumption were made for the fair value expert opinion:

  – Letting of the property at market terms
  – The operating and maintenance costs considered during the valuation are guided primarily by past experience from the property accounts of the past years and the benchmarks from the database of the evaluator
  – The discounting is based on a risk-compliant real interest rate of 4.75 percent

– Valuation method: Property held as a financial investment (Bellinzona Autorimessa)
The valuation is guided by the earnings value method. The earnings were discounted. In the discount rate used, the operating, maintenance and repair costs were considered. Accrued provisions were deducted from the earnings value calculated.

The following assumptions were made for the fair value expert opinion:

– Letting of the property on sustainable tenancy terms
– Average discount rate: 7.73 percent
– Deducted provisions accrued of 1.9 million francs

The fair value on 31 December 2011 of the asset under construction was around 61 million francs and that of the property held as an investment around 8 million francs.

The following amounts from properties held as an investment were recognized in the result:

– Rental income: 565,000 francs
– Operating expenses (incl. depreciation): 2.5 million francs

On 31 December 2011, there were no restrictions on the saleability or transfer of earnings and proceeds from any sale. Leasehold contracts with credit balances of 26,000 francs existed for the asset under construction. There were no other contractual obligations.

26 | Intangible assets and goodwill

Intangible assets and goodwill	31 December 2011				31 December 2010			
CHF million	Goodwill [1]	Other intangible assets	Other intangible assets under construction	Total	Goodwill [1]	Other intangible assets	Other intangible assets under construction	Total
Procurement costs								
Balance on 1 January	**260**	**137**	**0**	**397**	**259**	**140**	**0**	**399**
Additions due to acquisition of subsidiaries	4	10	–	14	20	4	–	24
Additions	–	26	4	30	–	18	–	18
Disposals	–	–8	–	–8	–1	–17	–	–18
Subsequent adjustment of acquisition costs	–2 [2]	0	–	–2	0	1	–	1
Currency translation differences	–2	–1	–	–3	–18	–9	–	–27
Balance on 31 December	**260**	**164**	**4**	**428**	**260**	**137**	**0**	**397**
Cumulative amortization								
Balance on 1 January	**27**	**81**	**–**	**108**	**25**	**78**	**–**	**103**
Depreciation and amortization	–	27	–	27	0	22	–	22
Badwill reversal	–2 [2]	–	–	–2	–	–	–	–
Impairment	7 [3]	1	–	8	3 [3]	2	–	5
Disposals	–	–8	–	–8	–	–15	–	–15
Currency translation differences	0	–1	–	–1	–1	–6	–	–7
Balance on 31 December	**32**	**100**	**–**	**132**	**27**	**81**	**–**	**108**
Carrying amount on 31 December	**228**	**64**	**4**	**296**	**233**	**56**	**0**	**289**

1 Goodwill relating to fully consolidated companies. Goodwill arising on the acquisition of associates is included in the carrying amount of these equity interests (see Note 23, Investments in associates).
2 From adjustment earn-out Dispodrom AG (date of acquisition 1 January 2009)
3 See information below under “Reviewing the recoverable amount of goodwill”.

Other intangible assets were comprised mainly of purchased standard software.

Investment obligations for intangible assets amounted to 20 million francs (previous year: none). The increase was down predominantly to software procurement.

Reviewing the recoverable amount of goodwill

In the event of a new acquisition, goodwill is allocated to identifiable groups of units known as cash-generating units (CGUs) and tested annually for impairment. A CGU is usually a company.

A CGU's recoverable amount is based on a calculation of its value in use, in turn based on the strategic financial planning. The calculation of a CGU's value in use reflects the future cash flows for the next three years, discounted to present value at the weighted cost of capital, and an estimated residual value. This does not include any growth component.

The goodwill refers to the following segments or subsidiaries:

Good will by segment	31 December 2011					31 December 2010				
CHF million	Goodwill total	PostMail	Post-Logistics	Swiss Post International	Swiss Post Solutions	Goodwill total	PostMail	Post-Logistics	Swiss Post International	Swiss Post Solutions
SPS Group [1]	32	–	–	–	32	28	–	–	–	28
Swiss Post Solutions Ltd	9	–	–	–	9	9	–	–	–	9
Swiss Post Solutions Inc.	33	–	–	–	33	33	–	–	–	33
Swiss Post Solutions Ltd	25	–	–	–	25	25	–	–	–	25
Swiss Post Solutions GmbH, Oberhausen [1]	–	–	–	–	–	5	–	–	–	5
Global-Business-Services-Plus Group	2	–	–	–	2	2	–	–	–	2
FMC Insights Limited	2	–	–	–	2	–	–	–	–	–
Presto Presse-Vertriebs AG	41	41	–	–	–	41	41	–	–	–
MDS Media Data Services AG	4	–	–	4	–	4	–	–	4	–
Swiss Post International Logistics AG [2]	4	–	–	4	–	2	–	–	2	–
Swiss Post International Netherlands BV	2	–	–	2	–	2	–	–	2	–
Swiss Post Porta a Porta S.p.A. [3]	12	–	–	12	–	17	–	–	17	–
Swiss Post SAT Holding SA	9	–	–	9	–	9	–	–	9	–
Swiss Post International Singapore Pte Ltd	4	–	–	4	–	4	–	–	4	–
Swiss Post International Scandinavia AB	3	–	–	3	–	3	–	–	3	–
SPI-Spain Group [4]	2	–	–	2	–	4	–	–	4	–
MCM Direct Limited [5]	–	–	–	–	–	2	–	–	2	–
Swiss Post International (UK) Ltd [5]	2	–	–	2	–	–	–	–	–	–
Group Edigroup	8	–	–	8	–	8	–	–	8	–
PostLogistics Ltd	27	–	27	–	–	27	–	27	–	–
IT ServiceHouse AG	5	–	5	–	–	5	–	5	–	–
Other	2	–	0	2	–	3	–	1	2	–
Total	**228**	**41**	**32**	**52**	**103**	**233**	**41**	**33**	**57**	**102**

1 Transfer of goodwill due to the merger of Swiss Post Solutions GmbH, Overhausen, into Swiss Post Solutions GmbH, Munich (SPS Group).
2 Adoption of goodwill from the acquisition of customs agency Imlig AG as of 3 January 2011 and the subsequent merger into Swiss Post International Logistics AG.
3 Goodwill to the extent of approx. 5 million francs was value adjusted.
4 Goodwill to the extent of approx. 2 million francs was value adjusted.
5 Transfer of goodwill due to the merger of MCM Direct Limited into Swiss Post International (UK) Ltd.

To determine the recoverable amount of goodwill for subsidiaries on 31 December 2011 based on the discounted cash flow method, the following parameters were set per country. In addition, a market risk premium of approx. 5 percent (Switzerland and abroad) and depending on the risks a small cap premium between 0 and 4 percent as well as a debt premium of 2 to 6 percent were applied for the calculation.

Parameters for the determination of the recoverable amount of goodwill by country

Percent	Interest rate [1]	Tax rate [2]	WACC [3]
Switzerland	1.1	21	5.0–9.1
Italy	5.8	31	10.8
United Kingdom	2.6	28	6.5–8.8
Netherlands	2.6	25	7.6
Germany	2.2	29	6.9–7.7
USA	2.3	40	7.8
Singapore	1.6	17	6.7
France	3.1	33	9.2
Sweden	2.1	26	7.6
Spain	5.3	30	12.3

1 Yield on ten-year bonds of the relevant country.
2 Tax rate of the acquired company's country.
3 Weighted average cost of capital.

27 | Financial liabilities

Financial liabilities CHF million	On demand	Callable [1]	Up to 1 year	1–5 years	Over 5 years	Total
31 December 2011						
Postal accounts	66,524	–	–	–	–	66,524
Deposito and investment accounts	–	33,866	–	–	–	33,866
Medium-term notes for customers	–	–	81	118	36	235
Money market investments for customers	–	0	82	–	–	82
Total customer deposits (PostFinance)	**66,524**	**33,866**	**163**	**118**	**36**	**100,707**
Due to financial institutions	1	0	7	0	–	8
Derivative financial instruments	–	–	6	3	1	10
Other financial liabilities						
Finance leases	–	–	1	1	0	2
Repurchase transactions	–	–	0	–	–	0
Other	0	0	0	1	1	2
Total other financial liabilities	**1**	**0**	**14**	**5**	**2**	**22**
Total financial liabilities	**66,525**	**33,866**	**177**	**123**	**38**	**100,729**
31 December 2010						
Postal accounts	56,405	–	–	–	–	56,405
Deposito and investment accounts	–	28,839	–	–	–	28,839
Medium-term notes for customers	–	–	162	162	34	358
Money market investments for customers	–	0	123	–	–	123
Total customer deposits (PostFinance)	**56,405**	**28,839**	**285**	**162**	**34**	**85,725**
Due to financial instutions	2	0	7	1	–	10
Derivative financial instruments	–	–	1	4	–	5
Other financial liabilities						
Finance leases	–	–	3	6	3	12
Repurchase transactions	–	–	300	–	–	300
Others [2]	0	0	36	1	–	37
Total other financial liabilities	**2**	**0**	**347**	**12**	**3**	**364**
Total financial liabilities	**56,407**	**28,839**	**632**	**174**	**37**	**86,089**

1 Call deposits for which no notice of withdrawal has been given, recallable provided an agreed notice period is observed.
2 The amounts for 2010 were adjusted (see also Note 2, Basis of accounting, Accounting changes).

The portfolio of repurchase transactions is subject to volatility. If demand for funds is relatively high, short-term refinancing requirements are covered through repurchase transactions. As a rule, collateral is provided for the full amount of the repurchase transactions.

In accordance with hedge accounting requirements, an amount of 4 million francs (previous year: 4 million francs) was posted to derivative financial instruments (negative fair values).

Interest expenses for customer deposits (PostFinance) amounted to 468 million francs in the reporting period (previous year: 480 million francs).

Cash value of the liabilities from finance leases

Cash value of the liabilities from finance leases CHF million	31 December 2011 Nominal	Discount	Cash value	31 December 2010 Nominal	Discount	Cash value
Due within 1 year	1	0	1	4	–1	3
Due within 1 to 5 years	1	0	1	7	–1	6
Due date longer than 5 years	0	0	0	3	0	3
Total	**2**	**0**	**2**	**14**	**–2**	**12**

28 | Provisions

Provisions CHF million	Other long-term employee benefits	Restructuring	Claims incurred	Proceedings risks	Other	Total
Balance on 1 January 2011	**328**	**16**	**38**	**17**	**26**	**425**
Additions due to acquisition of subsidiaries	–	–	–	–	4	4
Formation	34	1	11	7	17	70
Present value adjustment	–	0	–	–	0	0
Use	–27	–7	–9	–2	–17	–62
Reversal	–	–2	–3	–2	–3	–10
Subsequent adjustment of acquisition costs	–	–	–	0	–2	–2
Reclassifications	0	–3	–	–	3	0
Currency translation differences	0	0	0	0	0	0
Balance on 31 December 2011	**335**	**5**	**37**	**20**	**28**	**425**
of which short notice	27	5	10	1	15	58
Balance on 1 January 2010	**331**	**37**	**37**	**17**	**16**	**438**
Additions due to acquisition of subsidiaries	–	–	–	–	1	1
Formation	26	9	13	3	18	69
Present value adjustment	–	0	–	–	–	0
Use	–28	–16	–9	–1	–5	–59
Reversal	–1	–10	–3	–2	–3	–19
Subsequent adjustment of acquisition costs	–	–	–	–	0	0
Reclassifications	–	–2	–	–	2	–
Currency translation differences	0	–2	0	0	–3	–5
Balance on 31 December 2010	**328**	**16**	**38**	**17**	**26**	**425**
of which short notice	29	14	10	1	17	71

Other long-term employee benefits

Other long-term employee benefits comprise, above all, bonuses for anniversaries for several years of service (loyalty bonuses) and staff vouchers (predominantly for retired employees). The performance can be found in the following breakdown.

The following parameters were applied:

Assumptions for the calculation as at	Loyalty bonuses 31.12.2011	Loyalty bonuses 31.12.2010	Staff vouchers 31.12.2011	Staff vouchers 31.12.2010
Technical interest rate	2,25 %	2,75 %	2,50%	2,75 %
Annual change in wages	2,00 %	2,00 %	–	–
Percentage rate of staff voucher use	–	–	95,00 %	95,00 %
Leave share	55,80 %	55,80 %	–	–
Voluntary turnover	7,63 %	7,82 %	3,94 %	3,94 %
Average remaining service in years	9,89	9,90	11,15	11,25

Change in other long-term employee benefits

Other long-term employee benefits	Loyalty bonuses [1]		Staff vouchers	
CHF million	2011	2010	2011	2010
Balance on 1 January	**217**	**218**	**111**	**113**
Accrued benefit rights	13	13	2	2
Benefits paid	–22	–23	–5	–5
Interest on employee benefit obligations	5	6	3	3
(Income)/expense from plan amendments	0	0	0	–8
Additions to the consolidated Group	0	1	–	–
(Gains)/losses resulting from changes in assumptions	7	3	4	7
Annual (gains)/losses	0	–1	0	–1
Balance on 31 December	**220**	**217**	**115**	**111**

1 The loyalty bonuses include also sabbaticals for management employees.

Expenses booked under staff costs

Expenses booked under staff costs	Loyalty bonuses		Staff vouchers	
CHF million	2011	2010	2011	2010
Accrued benefit claims	13	13	2	2
Interest cost	5	6	3	3
Recognition of plan amendment costs	0	0	0	–8
Recognition of (gains)/losses	7	2	4	6
Total expenses for other long-term employee benefits	**25**	**21**	**9**	**3**

29 | Equity

On 1 January 1998, the Swiss Confederation provided Swiss Post with interest-free endowment capital of 1,300 million francs.

Bearing in mind economic viability and cover requirements, insurance risks are financed primarily through a self-insurance solution, as a result of which exceptional claims may affect the result. Under Article 14 of the Postal Organization Act (POA), Swiss Post is exempt from the duty to obtain insurance laid down in federal and cantonal law.

In accordance with a decision by the Swiss Federal Council, a total of 300 million francs was distributed in appropriating profit for 2010. Of this amount, 100 million francs were deposited in the employer's reserve of the Swiss Post pension fund and 200 million francs were distributed to the owner.

Fair value reserves comprise fluctuations in the value of "available-for-sale" financial assets, which are caused mainly by fluctuations in capital market interest rates. When financial assets are sold, the relevant fair value reserve is recognized in the statement of comprehensive income.

Hedging reserves include net gains and losses resulting from fair value changes attributable to the effective portion of cash flow hedges. The hedging reserves are reclassified to profit or loss when the hedged item affects profit or loss.

30 | Operating leases

Swiss Post as lessee

Minimum obligations under non-cancellable lease and rental agreements break down as follows:

Obligations under operating leases CHF million	31.12.2011	31.12.2010
Future obligations under operating leases due in		
Less than 1 year	89	122
1 to 5 years	191	291
Over 5 years	60	100
Future payment obligations under operating leases	**340**	**513**
Minimum lease payments	144	148
Conditional lease payments	8	8
Lease expenses for the period	**152**	**156**
Income from sub-letting in the past financial year	18	18
Future income from sub-letting	29	47

Payments arising from operating leases relate mainly to rent for the post office network's real estate (with an average remaining term of two years), rent for business premises and ground rent agreements at the Real Estate unit. Income from sub-letting relates to the post office network's real estate which, for the purposes of optimization, has been sub-let to third parties until the lease expires.

Conditional lease payments occur if the lease is index-linked.

Swiss Post as lessor

Income from the rental of Swiss Post's own properties to third parties amounted to 39 million francs in the reporting period (previous year: CHF 39 million). As at the end of the reporting period, Swiss Post had not entered into any other significant lease agreements as lessor.

Income from lease agreements

CHF million	31.12.2011	31.12.2010
Future minimum lease payments due under agreements in		
Less than 1 year	70	70
1 to 5 years	192	199
Over 5 years	53	57
Total	**315**	**326**

31 | Contingent liabilities

Contingent liabilities were as follows on 31 December 2011:

Guarantees

Guarantees and guarantee obligations amount to 6 million francs (previous year: 27 million francs).

Legal cases

As regards claims or legal cases for which provisions have not been recognized, the Executive Management believes either that they can be refuted or that they will not have a major impact on the Group's financial position or operating result. In the reporting period, the resulting contingent liabilities amounted to 10 million francs (previous year: 5 million francs).

32 | Related parties and key employees

Within the meaning of the IFRS, Swiss Post Group has relationships with related parties such as subsidiaries, associates and key employees. Likewise, as the owner of Swiss Post, the Swiss Confederation is deemed to be a related party.

All transactions between Swiss Post and the related parties and companies are carried out at market conditions. As the owner of Swiss Post, the Swiss Confederation paid compensation for newspaper and passenger transport in the year under review in the amount of 30 million francs (previous year: 30 million francs) and 156 million francs (previous year: 155 million francs).

Transactions between Swiss Post and its subsidiaries were eliminated during the consolidation and are no longer included in these notes.

Swiss Post and its subsidiaries carried out the following transactions with related parties that are not part of the Group.

Transactions with related parties and companies	Sale of goods and services		Purchases of goods and services		Receivables and loans with related parties		Liabilities to related parties	
CHF million	2011	2010	2011	2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Companies with joint management or significant influence	**384**	**418**	**205**	**168**	**549**	**744**	**3,132**	**610**
Swiss Confederation	221	219	70	61	3	0	1,449	302
Swisscom	112	130	50	41	509	708	58	8
Swiss Federal Railways SBB	50	68	85	66	36	36	1,625	300
RUAG	1	1	0	0	1	0	0	0
SKYGUIDE	0	0	0	0	0	0	0	0
Transactions with minority shareholders of subsidiaries	**0**	**15**	**1**	**1**	**1**	**2**	**2**	**0**
Associates	**14**	**10**	**19**	**28**	**3**	**1**	**2**	**3**
Other related parties	**15**	**0**	**5**	**3**	**0**	**0**	**135** [1]	**202** [1]

1 Includes principally customer deposits of the Swiss Post pension fund held at PostFinance.

Compensation paid to key employees

In the past financial year, compensation including fringe benefits of 6.1 million francs (previous year: 5.75 million francs) and pension benefits of around 0.73 million francs (previous year: around 0.78 million francs) was paid to key employees. Those defined as key employees are members of the Board of Directors and the Executive Management. The performance-based component paid out to members of the Executive Management in 2011 was based on target attainment in 2010 and 2011 and amounted to around 1.19 million francs (previous year: around 1.15 million francs). There are no loan agreements in place with key employees.

33 | Risk management

Risk management (corporate risk management)

Organization

Swiss Post operates a comprehensive risk management system, applicable to all units of the parent company and to the subsidiaries. Risk policy is defined by the Executive Management and the Board of Directors. Risk management is a line management responsibility.

Each Swiss Post unit (PostBus, PostFinance, PostMail, PostLogistics, Swiss Post International, Swiss Post Solutions, Post Offices & Sales) has a risk manager, as do the subsidiaries.

The risk managers run the process and coordinate the monitoring of the risks by the risk owners and the reporting both to their management and to the Group risk manager. At a functional level, they report to the management and are responsible for providing independent risk control. The risk managers monitor the necessary controls and limits as well as the positions and potential risks. The risk management process ensures that all detectable risks are identified and recorded in full in the risk measurement and reporting systems.

The areas considered include strategy and environment, customers/market, service provision, pricing policy, projects/external services, reporting/controlling, security, own damage and liability claims, human resources management, information technology, finance, corporate governance, legal aspects and communications/image.

The risk management process is coordinated in the Group’s annual strategy process. Twice a year, the Group Risk Manager and the Risk Management Committee provide the Executive Management with a full overview of the Group’s risk position and high-level risks. The Executive Management carries out its risk analysis on the basis of this overview. The results are presented to the Board of Directors' Audit & Risk Committee and the Board of Directors. Finally, the Board of Directors assesses the aggregated risks.

Risk position

The following areas are considered during the risk identification or analysis: strategy and environment, customers/market, service provision, pricing policy, projects/external services, reporting/controlling, security, own damage and liability claims, human resources management, information technology, finance, corporate governance, legal aspects and communications/reputation.

At the Group level, Swiss Post identified and assessed ten top risks in 2011, with which the Executive Management and the Board of Directors are dealing actively, and which they are controlling as far as possible using defined procedures. These risks all entail potential losses of at least 50 million francs. Three concern the (political) operating climate, three are market-related and four are endogenous risks. Thanks to the effect of controlling measures, refined analysis methods and after conducting stress tests, it was possible to assess the damage extent of the top four risks. This was done in greater detail in the second of the two annual assessment phases than in the first six months of the year.

Fourteen potential risks are being monitored as a precaution and, inasmuch as possible, controlled actively (e.g. pandemic, natural hazards, questions regarding demography).

Internal controlling system

Swiss Post operates an internal control system (ICS) that promptly identifies and assesses the relevant financial processes and risks related to bookkeeping and the rendering of accounts and incorporates appropriate key controls to cover those processes and risks. The ICS encompasses those procedures and measures that ensure proper bookkeeping and rendering of accounts and accordingly form the basis of all financial reporting. It thus ensures that financial reporting is of a high quality. Swiss Post sees the ICS as an activity aimed at the continuous improvement of processes.

In accordance with Article 728 a, section 1 (3) of the Swiss Code of Obligations, the external auditors check the existence of an ICS when conducting their regular audit.

Risk management at PostFinance

Swiss Post's Board of Directors or the Board of Directors' PostFinance Committee sets out the primary guidelines and principles on managing financial risks, approves the investment and risk policy, and sets limits which the operating units are required to observe in managing financial risks.

Organization

At PostFinance, Swiss Post operates an adequate financial and operational risk management system based on the banking regulation requirements. The specific business risks faced by PostFinance, namely market, credit and operational risks, are managed using industry-standard tools and methods.

Independently of the operational side of the business, PostFinance Risk Management identifies, measures and controls risks as well as the observance of limits, and reports the results to the relevant supervisory bodies. Where limits are exceeded, predefined measures are introduced immediately.

Financial risk measurement methods

The methods of recording and controlling risks are applied at the level of both the individual PostFinance portfolio and the overall PostFinance balance sheet. Market risks are limited and monitored by means of a multi-level limit system.

The PostFinance Asset & Liability Management Committee (ALKO) is responsible for the active management and control of financial risks within the defined framework. Its duties and responsibilities include, among other things, management of the balance sheet structure, setting sublimits for market and credit risks based on operational risk management areas, and determining adequate replicating portfolios. The Asset & Liability Management Committee also ensures that the risk management infrastructure meets requirements in organizational, human resources, technical and methodology terms.

The key measures and limits for market risks at the portfolio level are value-at-risk (VaR) values. VaR is a statistical estimate of the potential loss on the existing portfolio as a result of adverse market movements and denotes the maximum loss expected under normal market conditions over a given time period (holding period) at a given probability (confidence level). In doing so, it represents different types of market price risk in a standard measure.

All instruments are freshly assessed on the basis of historical changes to the risk factors (interest rate movements, changes in credit margins by rating classes and foreign exchange rates). As such, the historic volatilities of the individual risk factors and the historically implemented correlations between the individual risk factors are directly included in the calculation.

The VaR model used by PostFinance assumes a holding period of ten days and a confidence level of 99 percent before the positions can be closed out and supposes that market movements during that holding period will show a similar pattern to the market movements simulated using the VaR model. Based on the statistical nature of VaR, there is a certain probability (one percent) that actual losses may exceed those estimated using VaR. To assess the risk, the simulated movements in the risk factors are applied directly to current positions.

Financial risk types and their measurement

The following financial risks are monitored at PostFinance on an ongoing basis:

– Interest rate risk and balance sheet structure risk

  The term 'interest rate risk' refers to the potential impact of a change in market interest rates on the fair value of assets and liabilities in the balance sheet and on the net interest income in the statement of comprehensive income.

  PostFinance's interest-earning operations are a key earnings driver for Swiss Post. As changes in interest rates have a direct impact on net interest income, management of the risks associated with such changes is considered a priority. The risks are monitored and managed on an ongoing basis by the Asset & Liability Management Committee.

  The majority of the customer deposits held by PostFinance do not earn a fixed rate of interest. In order to map these for the purposes of asset and liability management, revolving tranches with different terms to maturity are compiled using the replicating portfolio method so as to measure and control margin variability.

  Customer deposits are invested both in the money market (repo and custody transactions) and in the capital market, where consideration is given mainly to fixed-rate instruments. Customer deposits, on the other hand, mostly earn variable rates of interest. The terms of the investments are determined based on maturity requirements on the liabilities side (including replicating portfolios) so as to optimize interest rate dependency on the assets and liabilities sides and thus reduce earnings volatility. Market risks arising from interest-related operations are measured and managed daily, at the level of both the individual portfolio and the overall PostFinance balance sheet, using the value-at-risk method. Rounding off the risk analysis process, sensitivity data are also applied and gap analyses and stress tests performed.

  The following value-at-risk values show the interest rate risk to which Swiss Post was exposed on 31 December 2011 and on 31 December 2010, and the impact of changes in market interest rates on the fair value of items both on and off the balance sheet that are sensitive to interest rates. Compared with the previous year's annual report, the value-at-risk values for each risk factor are now reported excluding diversification effects. The corresponding values of the previous year are shown in parentheses. Excluding the diversification effects of other risk factors, the interest rate VaR of PostFinance's banking book was 24 million francs as at 31 December 2011 (previous year: 20.8 million francs). The interest rate VaR of the trading book represented a risk of 0,0 million francs – no risk – at the end of the reporting period (previous year: 0.03 million francs).

– Foreign currency risk

  The term 'foreign currency risk' refers to the risk that the value of a financial instrument may change as a result of fluctuations in exchange rates. The currency risks faced by Swiss Post result from financial assets and business operations.

  The values from the following Financial instruments by currency table correspond to the balance sheet values. Currency risks that result from financial assets in foreign currency are immunized against exchange rate fluctuations by hedging the associated cash flows in foreign currency (coupons and par value repayment) with maturity-matching currency swaps as well as currency futures. Currency swaps and interest rate swaps as well as currency futures are used to hedge against the impact of changes in foreign currency market interest rates or exchange rate changes on the fair values and earnings of fixed-interest bonds. Market risks arising from currency transactions are measured and managed daily, at the level of both the individual portfolio and the overall balance sheet, using the value-at-risk method. Excluding the diversification effects of other risk factors, the currency VaR of PostFinance's banking book was 6.8 million francs on 31 December 2011 (previous year: 11.3 million francs). The currency VaR in the banking book was 18.5 million francs as at the balance sheet date (previous year: 4.9 million francs).

Financial instruments by currency (Group)
CHF million

31 December 2011	CHF	EUR	USD	GBP	Other	Total
Assets						
Cash	1,943	123	0	0	1	2,067
Receivables due from financial institutions	30,509	551	380	43	51	31,534
Interest-bearing amounts due from customers	81	–	–	–	–	81
Trade accounts receivable	554	258	13	24	78	927
Other receivables	987	70	4	7	3	1,071
Financial assets	66,789	2,480	301	46	13	69,629
Held for trading and derivatives	3	99	24	0	1	127
Held to maturity	54,147	1,985	102	–	–	56,234
Available for sale	543	339	175	46	12	1,115
Loans	12,096	57	–	–	–	12,153
Debt capital						
Customer deposits (PostFinance)	97,496	2,649	475	33	54	100,707
Other financial liabilities	9	9	1	2	1	22
Trade accounts payable	354	213	3	5	76	651
Other liabilities	809	49	3	11	2	874

31 December 2010	CHF	EUR	USD	GBP	Other	Total
Assets						
Cash	1,566	119	0	0	0	1,685
Receivables due from financial institutions	11,467	518	1,140	33	27	13,185
Interest-bearing amounts due from customers	505	–	–	–	–	505
Trade accounts receivable	552	259	10	25	51	897
Other receivables	979	120	4	7	21	1,131
Financial assets	70,285	2,204	461	79	14	73,043
Held for trading and derivatives	5	99	60	27	0	191
Held to maturity	58,302	1,717	85	–	–	60,104
Available for sale	711	383	316	52	14	1,476
Loans	11,267	5	–	–	–	11,272
Debt capital						
Customer deposits (PostFinance)	82,180	2,291	1,205	25	24	85,725
Miscellaneous other income [1]	316	36	10	0	2	364
Trade accounts payable	348	214	2	5	49	618
Other liabilities [1]	771	99	4	13	20	907

1 The amounts for 2010 were adjusted (see also Note 2, Basis of accounting, Accounting changes).

– Equity price risk
The equity price risk is understood to be the risk of loss resulting from value changes in equity indices or individual equities.

PostFinance has invested in equities since 2005 for the purposes of diversification, which means that it is exposed to the equity price risk. The equity price risks is monitored and limited with VaR measurement. Limits are monitored on a daily basis. The equity VaR in PostFinance's banking book was 21.7 million francs on 31 December 2011 (previous year: 19.2 million francs). No equities were held for trading in either financial year 2011 or 2010.

Including the diversification effects among the risk factors, the VaR for the entire banking book was 28.8 million francs on 31 December 2011 (previous year: 29.7 million francs). Across all risk factors, the VaR in the trading book was 6.8 million francs at the end of the reporting period (previous year: 11.3 million francs). In terms of total market risk in the banking and trading books, the VaR amounted to 35.6 million francs on 31 December 2011 (previous year: 41 million francs).

– Credit risk

The term 'credit risk' refers to the risk that a counterparty will no longer be able to fulfil its obligations, thereby causing the other party to incur a financial loss. Credit risks increase as counterparties become more concentrated in an individual sector or region. Economic developments affecting whole sectors or regions can threaten the solvency of an entire group of otherwise unrelated counterparties.

The credit risks associated with PostFinance Treasury's investments in the money and capital markets are strictly limited through special investment regulations and prescribed limits. Among other things, limits apply at counterparty, portfolio and rating structure level and also to country risks. For example, investments are permitted only if the debtor has a first-class credit rating.

Credit risks are measured in accordance with the Basel II guidelines. The Basel II limit stipulates how high PostFinance's financial risks may be, expressed as its capital requirement under Basel II. PostFinance's maximum risk exposure is determined by the risk-bearing capacity of Swiss Post and the risk tolerance of the Board of Directors.

Specifications and investment restrictions are based on publicly accessible ratings by recognized rating agencies and qualified banks.

Rating structure of fixed-rate financial assets[1]

Rating category in percent	31.12.2011	31.12.2010
AAA	79	73
AA	16	19
A	4	7
< A	1	1

1 Includes receivables from financial institutions (without covered loans) and financial investments.

Swiss Post deliberately limits the cluster risk by holding financial assets that are broadly diversified in terms of the counterparties.

Breakdown of the largest counterparties[1]

CHF million	31.12.2011	31.12.2010
Mortage Bond Bank of the Swiss Mortage Institutions Ltd, Zurich	8,783	8,263
Central Mortgage Bond Institution of the Swiss Cantonal Banks Ltd, Zurich	3,373	3,219
Swiss Confederation, Berne	2,504	5,578

1 Includes receivables due from banks (excluding secured lendings) and financial assets; Basis nominal value.

The following financial commitments exist in the most affected EU countries (PIIGS):

Financial assets in the PIIGS states

Carrying amount in CHF million	31.12.2011	31.12.2010
Spain	777	961
Ireland	179	351
Italy	43	68
Greece	8	109
Portugal	0	0

In 2011 repayments due on prescribed dates amounted in total to 491 million francs, and were made within the prescribed time limit.

Lending business

The mortgage lending solutions offered in cooperation with Münchener Hypothekenbank eG (MHB) since June 2008 do not result in any credit risks for PostFinance. These are borne entirely by the partner bank. Since autumn 2009, PostFinance has been collaborating with Valiant Bank AG on financing for SMEs. This cooperation arrangement has enabled PostFinance to expand its customer services in the retail financial market. Since autumn 2010, PostFinance has also been cooperating with Valiant Bank on mortgage lending to private customers. The credit risks resulting from the two areas of cooperation are assumed by Valiant Bank.

Liquidity risk

The term 'liquidity risk' refers to the risk that current and future payment obligations cannot be met on time or in full. PostFinance uses traditional maturity transformation, systematically investing customer deposits on the assets side of the balance sheet based on replicating portfolios. Products with no maturity account for around 90 percent (previous year: 92 percent) of the liabilities side of PostFinance's balance sheet. Unlike banks, PostFinance is not permitted to use the funds for traditional loans (e.g. mortgages, business loans) due to the legal framework, although investments may be made in the money and capital markets. PostFinance invests funds available over the long term (core deposits) in capital-market investments and funds available over the short term in the repo market and interbank trading. This results in a highly liquid assets side. Furthermore, the investments' excellent credit quality (BBB ratings and higher) means that the securities can be used as collateral at any time in order to obtain liquidity. See also Note 27, Financial liabilities.

Operational risk management at PostFinance

Definition
In line with the Basel Committee on Banking Supervision (Basel II), operational risk at PostFinance is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The principles on managing operational risk at PostFinance are set out in the operational risk management policy.

Organization
PostFinance operates an operational risk management system that is steered from a central dedicated unit. This defines the risk management process for the entire area and ensures regular and transparent identification, measurement, monitoring and reporting on all material operational risks. The dedicated unit also provides the necessary tools and instruments and acts as the interface between line management and the Operational Risk Committee, which is responsible for the effective and efficient implementation of the operational risk management policy.

Each department and team functions as its own decentralized operational risk controller, gathering the relevant information in its role as coordinator for its organizational unit, carrying out risk identification and assessment, and assuming responsibility for recording losses.

A decentralized operational risk manager is responsible for each of the largest operational risks at PostFinance (2011: seven high-level risks). These risk managers are responsible for the regular assessment and monitoring of the high-level risk assigned to them and report to the Operational Risk Committee on a quarterly basis.

Tools
PostFinance has various industry-standard tools with which to actively manage operational risk. Firstly, loss data across the entire company are collected together, enabling past operational losses to be analysed, common trends to be identified and measures to be taken based on the findings.

Secondly, structured risk assessments (self risk assessments) are used to evaluate potential risk scenarios that may in future pose a threat to PostFinance. The resulting risk inventory allows the Operational Risk Committee to obtain a good overview of the company's entire risk position.

In addition, the measures decided upon by the Operational Risk Committee to mitigate operational risks are monitored centrally. Early risk warning indicators are used, in particular, by the decentralized units to promptly identify any change in the risk position.

Reporting

The Operational Risk Committee receives quarterly reports on the current high-level risks and, if necessary, introduces measures to mitigate the risks. Based on this information, the Swiss Post Board of Directors is notified of PostFinance's risk position on a regular basis via the Board of Directors' PostFinance Committee.

Capital management

The endowment capital was provided to Swiss Post by the Swiss Confederation on an interest-free basis. Swiss Post is not subject to any legal or regulatory capital adequacy requirements. It is possible to raise capital by accumulating reserves from retained profits.

Swiss Post uses its equity with the following aims:

– to ensure that Swiss Post continues to operate
– to generate an adequate return for the owner
– to achieve the strategic objectives set by the owner with regard to increasing the value of the company
– to guarantee an industry-standard equity ratio

The equity is in accordance with IFRS.

The consolidated annual financial statements are drawn up on the basis of the Postal Organization Act in accordance with the International Financial Reporting Standards (IFRS). Swiss Post Group reports equity of 4,879 million francs (previous year: 4,224 million francs).

34 | Consolidated Group

Acctg. method	Segment	Company	Domicile	Currency	Endowment or share capital in 000s	% equity interest as at 31.12.2011	% equity interest as at 31.12.2010
Switzerland							
V	1–8	Swiss Post	Berne	CHF	1,300,000		
V	1	Presto Presse-Vertriebs AG	Berne	CHF	100	100*	100*
V	1	Epsilon SA [1]	Lancy	CHF	100	100*	66*
V	1	PostMail Ltd	Berne	CHF	100	100*	100*
V	2	Mobility Solutions Ltd	Berne	CHF	100	100*	100*
V	2	Mobility Solutions Management Ltd	Berne	CHF	100	85*	85*
V	2	PostLogistics Ltd	Dintikon	CHF	20,000	100*	100*
V	2	SecurePost Ltd	Oensingen	CHF	4,000	100*	100*
V	2	Dispodrom Ltd	Schlieren	CHF	2,000	100*	100*
V	2	IT ServiceHouse AG	Köniz	CHF	100	100*	100*
V	3	EDS Export & Distribution Services AG	Meilen	CHF	150	100	100
V	3	MDS Media Data Services AG	Kriens	CHF	200	100	100
V	3	Swiss Post International Holding Ltd	Berne	CHF	63,300	100*	100*
V	3	Swiss Post International Logistics Ltd	Basel	CHF	1,000	100	100
V	3	Swiss Post International Management Ltd	Berne	CHF	1,000	100	100
V	3	Swiss Post SAT Holding Ltd	Berne	CHF	2,000	100	100
V	3	Edigroup SA	Chêne-Bourg	CHF	200	100	100
V	3	R & M Routage & Mailing SA	Chêne-Bourg	CHF	100	100	100
V	3	Zollagentur Imlig AG [2]	Ingenbohl	CHF	100	–	–
V	4	Swiss Post Solutions Ltd	Zurich	CHF	1,000	100*	100*
V	4	SwissSign AG	Opfikon	CHF	450	100*	100*
V	6	PostFinance Ltd	Berne	CHF	100	100*	100*
V	6	Debitoren Service AG	Berne	CHF	1,000	100*	100*
V	7	PostBus Switzerland Ltd	Berne	CHF	25,000	100*	100*
V	8	InfraPost Ltd	Berne	CHF	1,000	100*	100*
E	1	Direct Mail Company AG	Basel	CHF	420	50*	50*
E	1	Direct Mail Logistik AG	Basel	CHF	100	50*	50*
E	1	AZ Vertriebs AG	Aarau	CHF	100	25	25
E	1	search.ch AG (formerly Räber Information Management GmbH)	Küssnacht SZ	CHF	100	25*	25*
E	1	SCHAZO AG	Schaffhausen	CHF	300	50	50
E	1	SÜDOSTSCHWEIZ PRESSEVERTRIEB AG	Chur	CHF	100	35	35
E	3	TNT Swiss Post AG	Buchs (AG)	CHF	1,000	50	50
E	6	SIX Interbank Clearing AG	Zurich	CHF	2,100	25*	25*
E	7	Sensetalbahn AG	Laupen	CHF	2,890	34*	34*
E	7	Société des Auto-transports du Pied du Jura Vaudois S.A.P.J.V.	L'Isle	CHF	1,200	35*	35*
Belgium							
V	3	Swiss Post International Belgium BVBA [3]	Vilvoorde	EUR	20	100	100
V	3	Edigroup Belgique SPRL	Brussels	EUR	19	100	100
China							
V	3	Swiss Post International Hong Kong Ltd	Hong Kong	HKD	10	100	100

* Equity interest is held by Swiss Post, the parent company.
1 Buyout of minority shares (34 percent) on 1.12.2011.
2 Purchase of shares (100 percent) on 3.1.2011 and merger into Swiss Post International Logistics AG on 3.1.2011.
3 New domicile, previously Brussels.

Acctg. method
F = fully consolidated
E = accounted for under the equity method

Segment
1 = PostMail
2 = PostLogistics
3 = Swiss Post International
4 = Swiss Post Solutions
5 = Post Offices & Sales
6 = PostFinance
7 = PostBus
8 = Others

Acctg. method	Segment	Company	Domicile	Currency	Endowment or share capital in 000s	% equity interest as at 31.12.2011	% equity interest as at 31.12.2010
Germany							
V	3	Swiss Post International Germany GmbH (formerly Swiss Post Deutschland Holding GmbH)	Troisdorf	EUR	100	100	100
V	3	Swiss Post International Operations GmbH & Co. KG (formerly Swiss Post International Germany GmbH & Co. KG)	Dietzenbach	EUR	1,176	100	100
V	3	Swiss Post International Operations Verwaltungs-GmbH (formerly Swiss Post International Germany Verwaltungs GmbH)	Dietzenbach	EUR	25	100	100
V	3	Trans-Euro GmbH	Weil am Rhein	EUR	25	100	100
V	3	PrimeMail GmbH	Hamburg	EUR	1,000	50	50
V	3	Zollagentur Imlig GmbH [1]	Rheinfelden	EUR	25	100	–
V	4	CF Card Factory GmbH	Hessisch-Lichtenau	EUR	500	51	51
V	4	Client Vela GmbH	Munich	EUR	31	100	100
V	4	Fortuna Beteiligungs GmbH	Bamberg	EUR	50	100	100
V	4	Swiss Post Solutions GmbH	Munich	EUR	50	100	100
V	4	Swiss Post Solutions GmbH [2]	Bamberg	EUR	5,000	38.3/60	38.3/60
V	4	GHP Immobilien GmbH & Co. KG [3]	Bamberg	EUR	200	100	52
V	4	GHP Immobilien Verwaltungs GmbH	Bamberg	EUR	25	100	100
V	4	Swiss Post Solutions GmbH [4]	Dettingen	EUR	1,500	–	100
V	4	Swiss Post Solutions Holding GmbH	Bamberg	EUR	25	100*	100*
V	4	systemform MediaCard GmbH	Prien	EUR	1,050	100	100
V	4	Swiss Post Solutions GmbH	Waltershausen	EUR	1,026	100	100
V	4	GBS + Temps GmbH [5]	Waltershausen	EUR	25	–	100
V	4	Swiss Post Solutions GmbH	Pulsnitz	EUR	100	100*	100*
V	4	Swiss Post Solutions GmbH (formerly Billing & Loyalty Systems GmbH) [6]	Oberhausen	EUR	26	–	100
E	4	eSourceOne GmbH	Hallstadt	EUR	25	50	50
E	4	MEILLERGHP GmbH (formerly meiller GHP GmbH)	Schwandorf	EUR	280	35	35
E	6	Swiss Euro Clearing Bank GmbH	Frankfurt am Main	EUR	10,000	25*	25*
France							
V	3	Société d'Affrètement et de Transit S.A.T. SAS [7]	Bartenheim	EUR	200	100	100
V	3	Société de Transports Internationaux S.T.I. SARL [7]	Bartenheim	EUR	8	100	100
V	3	Swiss Post International (France) SAS	Chassieu	EUR	300	100	100
V	3	G.P.A. Gestion & Promotion d'Abonnements SARL	Gaillard	EUR	20	100	100
V	3	SCI S.A.T. [7]	Bartenheim	EUR	1	100	100
V	4	Swiss Post Solutions Holding SAS	Paris	EUR	32,213	100*	100*
V	4	Swiss Post Solutions SAS	Paris	EUR	3,914	100	100
V	7	CarPostal France SARL	Dole	EUR	200	100*	100*
V	7	CarPostal Bourg-en-Bresse SAS	Bourg-en-Bresse	EUR	190	100	100
V	7	CarPostal Haguenau SAS	Haguenau	EUR	464	100	100
V	7	CarPostal Obernai SAS	Obernai	EUR	50	100	100
V	7	CarPostal Interurbain SAS	Narbonne	EUR	250	100	100
V	7	CarPostal Mâcon SAS	Mâcon	EUR	300	100	100
V	7	CarPostal Dole SAS	Dole	EUR	300	100	100
V	7	CarPostal Foncière SCI	Bourg-en-Bresse	EUR	50	100	100
V	7	CarPostal Villefranche-sur-Saône SAS	Gleize	EUR	150	100	100
V	7	CarPostal Agde SAS	Agde	EUR	250	100	100
V	7	CarPostal Bourgogne Franche-Comté SAS	Mâcon	EUR	300	100	100
V	7	CarPostal Méditerranée SAS	Agde	EUR	420	100	100
V	7	CarPostal Pyrénées SAS	Narbonne	EUR	250	100	100

* Equity interest is held by Swiss Post, the parent.
1 Purchase of shares (100 percent) on 3.1.2011.
2 Swiss Post Solutions Holding GmbH holds 38.3 percent and Fortuna Beteiligungs GmbH a further 60 percent of the shares in Swiss Post Solutions GmbH (Bamberg). Swiss Post Solutions GmbH holds 1.7 percent of its own shares.
3 Buyout of non-controlling shares of 48 percent on 9.12.2011.
4 Merger with Swiss Post Solutions GmbH, Bamberg on 5.9.2011.
5 Merger with Swiss Post Solutions GmbH, Waltershausen on 22.6.2011.
6 Merger with Swiss Post Solutions GmbH, Munich on 2.8.2011.
7 New domicile, previously Huningue.

Acctg. method
F = fully consolidated
E = accounted for under the equity method

Segment
1 = PostMail
2 = PostLogistics
3 = Swiss Post International
4 = Swiss Post Solutions
5 = Post Offices & Sales
6 = PostFinance
7 = PostBus
8 = Others

Acctg. method	Segment	Company	Domicile	Currency	Endowment or share capital in 000s	% equity interest as at 31.12.2011	% equity interest as at 31.12.2010
United Kingdom							
V	3	Swiss Post International (UK) Ltd [1]	Hounslow, Middlesex	GBP	500	100	100
V	3	MCM Direct Limited [2]	Southampton	GBP	0	–	100
V	4	Graphic Data (UK) Ltd [3]	Richmond	GBP	31	–	100
V	4	Swiss Post Solutions Ltd	Richmond	GBP	7,272	100*	100*
Italy							
V	3	Swiss Post Porta a Porta S.p.A.	Milan	EUR	2,000	80	80
V	4	Swiss Post Solutions S.p.A.	Milan	EUR	500	100	100
E	3	Hermes Porta a Porta S.p.A. [4]	Tribiano	EUR	400	–	20
Ireland							
V	4	FMC Insights Limited [5]	Dublin	EUR	0	100*	–
Liechtenstein							
V	7	PostAuto Liechtenstein Anstalt (formerly PostAuto Schweiz Regionalzentrum Liechtenstein Anstalt) [6]	Vaduz	CHF	30	100*	100*
V	8	Swiss Post Insurance AG [7]	Vaduz	CHF	30,000	100*	100*
E	8	Liechtensteinische Post AG	Vaduz	CHF	5,000	25*	25*
Malaysia							
V	3	Swiss Post International Malaysia Sdn Bhd	Selangor	MYR	100	100	100
Netherlands							
V	3	Swiss Post International Netherlands BV	Son en Breugel	EUR	20	100	100
Norway							
V	3	Swiss Post International Norway AS [8]	Son	NOK	100	100	–
Austria							
V	3	Swiss Post International Austria GmbH	Biedermannsdorf	EUR	51	100	100
V	4	Swiss Post Solutions GmbH	Biedermannsdorf	EUR	35	100*	100*
Sweden							
V	3	Swiss Post International Scandinavia AB	Stockholm	SEK	105	100	100
Singapore							
V	3	Swiss Post International Singapore Pte Ltd	Singapore	SGD	400	100	100
Slovakia							
V	4	Swiss Post Solutions s.r.o.	Bratislava	EUR	15	100	100
Spain							
V	3	Allied Business Company of Mail Servicios Postales Internacionales España S.L.	Coslada	EUR	3	100	100
V	3	Mail Partners Spain S.L.	Coslada	EUR	3	100	100
USA							
V	3	Priority Post Company Inc.	Emigsville, PA	USD	3	100	100
V	4	Swiss Post Solutions Inc.	New York	USD	45	100	100
V	4	Swiss Post US Holding Inc.	New York	USD	10,100	100*	100*
Vietnam							
V	4	GHP Far East Co. Ltd	Ho Chi Minh City	VND	1,821,446	86	86

* Equity interest is held by Swiss Post, the parent.
1 New domicile, previously Colnbrook.
2 Transfer of the operating activities as of 3.1.2011 to Swiss Post International (UK) Ltd and application for deletion of the company.
3 Winding up on 11.10.2011.
4 Assignment of the shares on18.7.2011.
5 Purchase of shares on 5.12.2011.
6 New domicile, previously Triesen.
7 Capital increase of 5 million francs on 23.12.2011.
8 Establishment on 22.10.2011.

Acctg. method
F = fully consolidated
E = accounted for under the equity method

Segment
1 = PostMail
2 = PostLogistics
3 = Swiss Post International
4 = Swiss Post Solutions
5 = Post Offices & Sales
6 = PostFinance
7 = PostBus
8 = Others

35 | Changes in the composition of the Group

2011

The operating activities of MCM Direct Limited, Southampton, South England were transferred to Swiss Post International (UK) Ltd, based in Hounslow, Middlesex, on 3 January 2011, and the deletion of the company was applied for with the British authorities as of 31 December 2011.

Swiss Post International Holding AG purchased all shares of two companies, which are insignificant from a Group perspective, based in Switzerland or Germany on 3 January 2011. On 15 July 2011 the Swiss company was retroactively merged into Swiss Post International Logistics AG with effect per 3 January 2011.

GBS + Temps GmbH was merged with Swiss Post Solutions GmbH, Waltershausen, on 22 June 2011.

PrimeMail GmbH, based in Hamburg, withdrew from the mail and catalogue sector and greatly reduced its business activities in this area as of 1 July 2011. No new customer contracts will be concluded, but existing ones will be continued until the end of the contract term.

Swiss Post Solutios GmbH, Oberhausen, was merged with Swiss Post Solutions GmbH, Munich, on 2 August 2011, and Swiss Post Solutions GmbH, Dettingen, with Swiss Post Solutions GmbH, Bamberg, on 5 September 2011.

Graphic Data (UK) Ltd was wound up on 11 October 2011.

On 1 December 2011 the remaining shares (34 percent) in Epsilon SA were acquired. Swiss Post now holds 100 percent of the capital stock in Epsilon SA. Swiss Post already possessed the clear majority of shares with its holding of 66 percent. The difference resulting from the transactions was recognized directly in the equity capital.

On 5 December 2011 all shares in FMC Insights Limited, Dublin, Ireland, were purchased. FMC offers IT-based solutions and services in the areas of loyalty catalyst, promo analysis and data mining. The enterprise is an integrated part of the solutions portfolio of Swiss Post Solutions.

On 9 December 2011 the remaining shares (48 percent) of the GHP Immobilien GmbH & Co. KG were purchased giving Swiss Post a 100 percent holding. With the previous 52 percent Swiss Post had already the majority of the shares. The difference resulting from the transactions was recognized directly in the equity capital.

A capital increase in the amount of 5 million francs was carried out at Swiss Post Insurance AG, based in Vaduz, as of 23 December 2011.

2010

On 1 February 2010, Swiss Post International Holding Ltd acquired all shares in the two Spanish companies Allied Business Company of Mail Servicios Postales Internacionales España S.L. (ABC Mail S.L.) and Mail Partners Spain S.L. based in Madrid. With around 30 employees, ABC Mail S.L. and Mail Partners Spain operate primarily in the cross-border letter business to and from Spain.

On 12 February 2010, capital was increased at Swiss Post Solutions SP z.o.o. (formerly Client Vela SP z.o.o.) by 0,95 million Polish zloty to 1 million Polish zloty.

On 28 February 2010, Swiss Post Solutions GmbH, Dettingen sold DMS Dialogmarketing Kft. based in Budapest.

At the end of March 2010, Swiss Post Solutions GmbH, Bamberg, acquired all shares in Swiss Post Solutions GmbH (formerly Billing & Loyalty Systems GmbH) headquartered in Oberhausen, Germany. This company offers its customers billing management, loyalty management, billing monitoring and test automation solutions, in some cases using internally developed components and systems, and in some cases with input from partners. The company has 53 employees.

In early April 2010, Swiss Post International Holding Ltd acquired all the shares in MCM Direct Limited based in Southampton in the south of England. With a workforce numbering 32, MCM Direct provides a range of postal services for local business customers in the Southampton area involving the preparation, dispatch and delivery of mailings, catalogues and small goods.

On 1 July 2010, Swiss Post International Holding Ltd acquired Edigroup SA, headquartered in Chêne-Bourg (Canton Geneva), which operates in the subscription sales and subscription management segment. The group specializes in marketing and mailing French-language press publications. Edigroup SA includes subsidiaries R & M Routage & Mailing SA in Chêne-Bourg (packaging and dispatch), Edigroup Belgique SPRL in Brussels (subscription marketing in Belgium) and G.P.A. Gestion & Promotion d'Abonnements SARL in Gaillard, France (subscription management in France). Edigroup (Group) currently employs 22 people.

On 1 July 2010, Swiss Post Solutions (UK) Ltd. was merged with Swiss Post Solutions Ltd.

On 1 July 2010, Swiss Post International Operations GmbH & Co. KG (formerly Swiss Post International Germany GmbH & Co. KG) based in Dietzenbach reduced its share capital to approx. 1.2 million euro.

At the end of September 2010, CarPostal Interurbain SAS based in Narbonne reduced its share capital to 250,000 euro.

On 1 October 2010, SCI S.A.T. based in Huningue, France was taken over. 99 percent of the shares are held by Société d'Affrètement et de Transit S.A.T. SAS, and 1 percent by Swiss Post SAT Holding AG. SCI S.A.T. is purely a real estate company whose properties are utilized internally by the Swiss Post Group. SCI S.A.T. does not currently have any employees.

On 21 December 2010, as part of a joint venture, the Direct Mail division of Swiss Post Solutions GmbH in Bamberg (Germany) was merged with the Austrian Post-owned meiller direct GmbH in Schwandorf (Germany) to form MEILLERGHP GmbH. Swiss Post holds a 35 percent interest in MEILLERGHP GmbH. The Direct Mail division was comprised of the following companies which were integrated into MEILLERGHP GmbH: GHP Direct France SARL based in Le Chesnay, Swiss Post Solutions Sp. z.o.o. (formerly Client Vela Sp. z.o.o.) based in Kraków, GHP Direct Russ O.O.O. based in Moscow, Swiss Post Solutions a.s. (formerly GHP Direct Mail s.r.o.) based in Pilzen, Mailstep Holding a.s. based in Prague, Mailstep s.r.o. based in Prague and an operating unit of Swiss Post Solutions GmbH based in Bamberg.

Graphic Data (UK) Ltd is in liquidation.

Assets and liabilities arising from acquisitions

The following assets and liabilities were newly consolidated in connection with acquisitions of subsidiaries:

Assets and liabilities arising from acquisitions	31 December 2011	31 December 2010
CHF million	Total fair values [1]	Total fair values [2]
Receivables	13	10
Inventories	–	0
Property, plant and equipment, intangible assets and investments	10	11
Other financial liabilities	0	–5
Trade accounts payable	–6	–3
Provisions and other liabilities	–4	–5
Fair value of net assets	**13**	**8**
Goodwill	4	20
Acquisition costs	**17**	**28**
Cash and cash equivalents acquired [3]	–4	–5
Purchase price payments falling due at a later date (earn-outs)	–2	–1
Payment of liabilities from acquisitions in previous years	0	3
Net cash outflow for acquisitions	**11**	**25**

1 Composition: Zollagentur Imlig AG, Zollagentur Imlig GmbH, FMC Insights Limited.
2 Composition: Mail Partners Spain S.L., Allied Business Company of Mail Servicios Postales Int. España S.L., Swiss Post Solutions GmbH, Oberhausen (formerly Billing & Loyalty Systems GmbH), MCM Direct Limited, Edigroup SA, G.P.A. Gestion & Promotion d'Abonnements SARL, Edigroup Belgique SPRL, R & M Routage & Mailing SA, SCI S.A.T.
3 Composition: cash and current receivables due from banks.

The acquisition costs for the companies acquired in 2011 and the resulting earn-out liability are insignificant for the Group.

The goodwill arising from these transactions consists of assets that are not separately identifiable or cannot be reliably determined, primarily acquired expertise and synergies expected within the Group.

The fair value of the acquired receivables does not include any significant uncollectible receivables.

The directly attributable acquisition expense amounts to 1 million francs and is recognized in the statement of comprehensive income under "Other operating expenses".

The effects on the consolidated financial statements from the above acquisitions are overall insignificant.

Assets and liabilities arising from disposals

There were no disposals of subsidiaries in the year under review.

The following assets and liabilities were deconsolidated in connection with disposals of subsidiaries in the previous year:

Assets and liabilities arising from disposals CHF million	31 December 2011 Total carrying amount	31 December 2010 Total carrying amount [1]
Cash and cash equivalents	–	3
Receivables	–	22
Inventories	–	5
Property, plant and equipment, intangible assets, investments and financial assets	–	42
Other financial liabilities	–	–13
Trade accounts payable	–	–11
Provisions and other liabilities	–	–23
Carrying amount of net assets disposed of	–	**25**
Proceeds from disposals	–	**27**
of which paid in cash and cash equivalents	–	–
Purchase price payments falling due at a later date (earn-outs)	–	–
Gain from disposals [2]	–	2

1 Composition: DMS Dialogmarketing Kft., GHP Direct France SARL, Swiss Post Solutions Sp. z.o.o., GHP Direct Russ O.O.O., Swiss Post Solutions a.s., Mailstep Holding a.s., Mailstep s.r.o., operating unit of Swiss Post Solutions GmbH, Bamberg.
2 The profit from sales was reported ion the financial income in the statement of comprehensive income.

The disposals in the previous year resulted in a net outflow of cash and cash equivalents of 3 million francs, as the subsidiaries being disposed of were sold in exchange for the shares in MEILLERGHP GmbH and a receivable due from this associate.

In the previous year, the share of the individual items in the statement of comprehensive income and the cash flow statement attributable to the subsidiaries being disposed of and the operating unit was insignificant from a consolidated perspective.

Companies founded and renamed

2011
meiller GHP GmbH, based in Schwandorf, was renamed as MEILLERGHP GmbH on 7 June 2011.

PostAuto Schweiz Regionalzentrum Liechtenstein Anstalt changed its name to PostAuto Liechtenstein Anstalt and simultaneously relocated its head office from Triesen to Vaduz on 1 December 2011.

On 22 October 2011 Swiss Post International Norway AS, based in Son (Vestby, Norway), was established.

2010

On 8 January 2010, CarPostal Agde SAS based in Agde (France) was established by CarPostal France SARL.

On 25 June 2010, Billing & Loyalty Systems GmbH was renamed Swiss Post Solutions GmbH, Oberhausen.

On 12 July 2010, the associate Räber Information Management GmbH was converted into a joint stock corporation and renamed search.ch AG.

On 7 July 2010, Swiss Post Deutschland Holding GmbH was renamed Swiss Post International Germany GmbH. In addition, on 4 August 2010, Swiss Post International Germany Verwaltungs GmbH was renamed Swiss Post International Operations Verwaltungs-GmbH and, on 24 August 2010, Swiss Post International Germany GmbH & Co. KG was renamed Swiss Post International Operations GmbH & Co. KG. The latter two companies have moved their domicile to Dietzenbach.

In the third quarter of 2010, CarPostal Bourgogne Franche-Comté SAS based in Mâcon (France) was established on 22 July 2010, CarPostal Méditerranée SAS based in Adge (France) was established on 9 September 2010 and CarPostal Pyrénées SAS based in Narbonne (France) was established on 16 September 2010.

On 19 August 2010, GHP Direct Mail s.r.o. was converted into a joint stock corporation and renamed Swiss Post Solutions a.s. It is now based in Plzen (Czech Republic).

Debitoren Service AG based in Berne was established on 3 November 2010.

36 | Non-current assets held for sale

"Non-current assets held for sale" are no longer systematically depreciated/amortized and will probably be sold within one year.

Non-current assets held for sale CHF million	Operating property	Other property, plant and equipment	Total
Balance on 1 January 2011	**2**	**1**	**3**
Additions arising from reclassifications in accordance with IFRS 5	0	6	6
Disposals	–2	–6	–8
Balance on 31 December 2011	**0**	**1**	**1**
Balance on 1 January 2010	**4**	**1**	**5**
Additions arising from reclassifications in accordance with IFRS 5	5	7	12
Disposals	–7	–7	–14
Balance on 31 December 2010	**2**	**1**	**3**

37 | Key exchange rates

The following exchange rates were applied in translating the financial statements of foreign subsidiaries into Swiss francs:

Exchange rates		Closing rate as at		Average rate for the period ending	
Unit		31.12.2011	31.12.2010	31.12.2011	31.12.2010
1 euro	EUR	1.22	1.25	1.23	1.38
1 US dollar	USD	0.94	0.94	0.89	1.04
1 pound Sterling	GBP	1.45	1.46	1.42	1.61

38 | Events after the reporting period

Adjusting events

Prior to the approval of the 2011 financial statements by Swiss Post's Board of Directors on 12 March 2012, no events came to light which either would have resulted in changes to the carrying amount of the Group's assets and liabilities or would have to be disclosed in this section of the Report.

Acquisitions of subsidiaries between 1 January and 12 March 2012

The parent company, Swiss Post, acquired a 100 percent in Direct Mail Company AG and Direct Mail Logistik AG on 6 January 2012. Swiss Post had previously held a 50 percent stake in both companies. By acquiring all shares in Intermail AG, which itself holds the remaining 50 percent in both companies, Swiss Post has now become the sole shareholder of Direct Mail Company Ag and Direct Mail Logistik AG. Also acquired were all shares in IN-Media AG as well as 50 percent in DMB Direct Mail Biel-Bienne AG. The DMC Groupm, based in Basel, offers products and services in the area of direct marketing and in the delivery of unaddressed consignments. The DMC Group has a total Swiss workforce of 135 full-time and some 2,500 part-time employees across its sites in Lausanne, Biel, Thun, Zurich, Domat/Ems and Niederbipp.

The purchase prices for the companies acquired after the end of the reporting period and their effects on the consolidated financial statements are insignificant.

A further possible development in 2012

The French "La Poste" and "Swiss Post", two of the most important European providers of postal services, intend to amalgamate their cross-border postal activities in order to develop and extend their international mail business. The planned joint venture may be able to start business in the course of 2012, and would belong equally to La Poste and Swiss Post, two of the most important players in this sector. The joint venture, approved by both Boards of Directors, awaits and is dependent upon receipt of all regulatory authorizations.

Report of the Statutory Auditor on the Consolidated Financial Statements to the Federal Council

Swiss Post, Berne

As statutory auditor, we have audited the accompanying consolidated financial statements of Swiss Post presented on pages 36 to 102 of the financial report, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes for the year ended 31 December 2011.

Board of Directors' Responsibility
The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with the Postal Organization Act.

Report on Other Legal Requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Orlando Lanfranchi	Stefan Andres
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Gümligen-Berne, 12 March 2012

Swiss Post

Income statement

Income statement CHF million	2011	2010
Net sales from logistics services	3,938	3,996
Net sales from resale merchandise	577	618
Income from financial services	2,440	2,402
Other operating income	275	258
Total operating income	**7,230**	**7,274**
Staff costs	–3,214	–3,160
Resale merchandise and service expenses	–1,345	–1,335
Expenses for financial services	–674	–864
Depreciation of property, plant and equipment and amortization of intangible assets	–216	–218
Other operating expenses	–1,085	–1,087
Total operating expenses	**–6,534**	**–6,664**
Operating income	**696**	**610**
Financial income	58	28
Financial expenses	–143	–35
Profit before tax	**611**	**603**
Income taxes	–	–
Profit for the year	**611**	**603**

Balance sheet

Balance sheet CHF million	31.12.2011	31.12.2010
Assets		
Cash	2,024	1,645
Receivables due from financial instutions	31,462	13,106
Interest-bearing amounts due from customers	81	505
Trade accounts receivable	847	810
Other receivables	982	1,033
Inventories	65	64
Non-current assets held for sale	1	3
Financial assets	69,606	72,942
Shareholdings	211	281
Property, plant and equipment	2,103	2,024
Intangible assets	74	78
Total assets	**107,456**	**92,491**
Liabilities		
Customer deposits (PostFinance)	100,738	85,749
Other financial liabilities	146	423
Trade accounts payable	572	543
Other liabilities	601	649
Provisions	144	183
Total liabilities	**102,201**	**87,547**
Endowment capital	1,300	1,300
Reserves [1]	3,344	3,041
Profit for the year	611	603
Total equity	**5,255**	**4,944**
Total equity and liabilities	**107,456**	**92,491**

1 Of which 18 million francs (previous year: 14 million francs) are reserved for a specific purpose in accordance with Article 36 of the Swiss Passenger Transport Act (PBG).

Notes

Basis of accounting

The financial statements of Swiss Post were prepared in accordance with generally accepted commercial principles (Swiss Code of Obligations). Furthermore, the accounting records and financial statements and the proposal on the appropriation of profit for the year comply with the Postal Organization Act (POG Arts. 11 and 12).

Accounting principles

General information

The financial statements of Swiss Post are based on the financial statements of the legally dependent Accounting Units, which are prepared using consistent, generally accepted principles. Internal transactions among the Accounting Units are eliminated. Swiss Post comprises the following Accounting Units: PostMail, PostLogistics, Mobility Solutions, Post Offices & Sales, PostFinance, PostBus, Swiss Post International, Swiss Post Solutions, Services (Real Estate, Information Technology, Group Purchasing and Language Services) and the Management Units (Finances, Human Resources, Communications et al).

The subsidiaries controlled by the parent are not consolidated but carried in the balance sheet under "Investments" at cost minus any necessary impairment.

Differences in accounting policies compared with the IFRS consolidated financial statements

The financial statements of Swiss Post were prepared in accordance with the accounting policies used in drawing up the consolidated financial statements, with the following exceptions:

Financial assets
Financial assets with a fixed maturity classified as "Available for sale" are measured at amortized cost. Interest rate-related fluctuations in fair value (volatility) do not therefore affect the carrying amount of the financial assets and the reported equity (no fair value reserve). If an asset's fair value falls below its cost, an appropriate impairment charge is recognized and presented under "Expenses for financial services". Loans granted by the parent to subsidiaries are carried in the balance sheet at amortized cost less any necessary impairment. Impairment charges are recognized under "Financial expenses". Derivatives (positive fair values) are assessed at the lowest value.

Provisions for insurance risks
In accordance with the principle of self-insurance, provisions for insurance risks cover future claims that have not yet been incurred. Large claims can therefore be settled via the insurance provisions.

Employee benefits
The pension expenses recognized at Swiss Post are the employer contributions transferred to the Swiss Post pension fund including restructuring contributions.

Long-term benefits due to employees and retirees

The costs of long-term benefits due to employees and retirees such as loyalty bonuses/sabbaticals and staff vouchers are recognized when they are incurred; provisions are not recognized systematically over the years of service of employees.

Reconciliation of profit

The aforementioned differences in accounting policies for the result of Swiss Post, the parent company, in accordance with the Swiss Code of Obligations (CO)/POA versus those applied in the IFRS consolidated financial statements are as follows:

Reconciliation of profit CHF million	2011	2010
Swiss Post profit for the year under CO/POA	**611**	**603**
Reversal of impairment of receivables, loans and investments in subsidiaries	–19	–54
Impairment of receivables, loans and investments in subsidiaries	140	40
Foreign exchange losses on loans classified as equity	2	18
Measurement of derivatives at the lower of cost or market value (positive fair values)	–57	173
Formation through profit or loss of impairment of available-for-sale bonds (expenses from financial services)	2	–23
Amortization of other intangible assets	10	10
Reversal of employee benefit provisions no longer required	–34	–114
Non-application of IAS 19 at Swiss Post under Swiss Code of Obligations/POA	88	92
Transfer to the employer's reserve [1]	150	150
Swiss Post profit for the year under IFRS	**893**	**895**

1 Transfer by Swiss Post, the parent to the employer's reserve of the Swiss Post pension fund.

Risk management

Risk management system

Swiss Post operates a comprehensive risk management system, applicable to all units of the parent company and to the subsidiaries. Risk policy is defined by the Executive Management and the Board of Directors. Risk management is a line management responsibility.

Each Swiss Post unit (PostBus, PostFinance, PostMail, PostLogistics, Swiss Post International, Swiss Post Solutions, Post Offices & Sales) has a risk manager, as do the subsidiaries.

The risk managers run the process and coordinate the monitoring of the risks by the risk owners and the reporting both to their management and to the Group Risk Manager. At a functional level, they report to the management and are responsible for providing independent risk control. The risk managers monitor the necessary controls and limits as well as the positions and potential risks. The risk management process ensures that all detectable risks are identified and recorded in full in the risk measurement and reporting systems.

The areas considered include strategy and environment, customers/market, service provision, pricing policy, projects / external services, reporting/controlling, security, own damage and liability claims, human resources management, information technology, finance, corporate governance, legal aspects and communications/reputation.

The risk management process is coordinated in the Group's annual strategy process. Twice a year, the Group risk manager and the Risk Management Committee provide the Executive Management with a full overview of the Group's risk position and high-level risks. Executive Management carries out its risk analysis on the basis of this overview. The results are presented to the Board of Directors' Audit & Risk Committee and the Board of Directors. Finally, the Board of Directors assesses the aggregated risks.

Risk position

At the Group level, Swiss Post identified and assessed ten top risks in 2011, with which the Executive Management and Board of Directors are dealing actively, and which they are controlling with defined measures inasmuch as possible. These risks each entail potential losses of at least 50 million francs. Three concern the (political) operating climate, three are market-related and four are endogenous risks. Thanks to the effect of controlling measures, refined analysis methods and after conducting stress tests, it was possible to assess the damage extent of the top four risks in greater detail in the second of the two annual process phases than in the first six months of the year.

Fourteen potential risks are being monitored as a precaution and, with measures, inasmuch possible actively controlled, e.g. pandemic, natural hazards, questions regarding demography.

Swiss Post operates an internal control system (ICS) that promptly identifies and assesses the relevant financial processes and risks related to bookkeeping and the rendering of accounts and incorporates appropriate key controls to cover those processes and risks. The ICS encompasses those procedures and measures that ensure proper bookkeeping and rendering of accounts and accordingly form the basis of all financial reporting. It thus ensures that financial reporting is of a high quality. Swiss Post sees the ICS as an activity aimed at the continuous improvement of processes.

In accordance with Article 728 a, section 1 (3) of the Swiss Code of Obligations, the external auditors check the existence of an ICS when conducting their regular audit.

Explanatory notes

Contingent liabilities

On 31 December 2011, guarantees and guarantee obligations amounted to 21 million francs (previous year: 37 million francs).

Under the system of group taxation for value added tax, Swiss Post, the parent (tax group leader) is liable in respect of all companies subject to group taxation.

On 31 December 2011 there existed Letters of Comfort to third parties, deposited by Swiss Post, the parent.

Assets pledged as security for own obligations

On 31 December 2011, assets (bonds that are part of PostFinance's securities lending operations) with carrying amounts totalling some 8,756 million francs (previous year: 10,345 million francs) were pledged as collateral for own obligations.

Lease obligations

Lease obligations not recognized in the balance sheet (operating leases) totalled 322 million francs on 31 December 2011 (previous year: 496 million francs).

Fire insurance values of property, plant and equipment

The fire insurance values of property, plant and equipment total 5,327 million francs on 31 December 2011 (previous year: 5,467million francs).

Shareholdings

Please see Note 34, Scope of consolidation, in the consolidated financial statements. Investments in subsidiaries held directly by the parent are carried in the balance sheet at cost less any necessary impairment. Impairment charges are recognized under "Financial expenses".

Amounts due to employee benefit funds

The amounts due to the Swiss Post pension fund total 5 million francs on 31 December 2011 (previous year: 7 million francs). In addition, provisions for the restructuring of the Swiss Post pension fund amount to 17 million francs at the end of the reporting period.

Endowment capital

The Swiss Confederation has provided Swiss Post with interest-free endowment capital of 1,300 million francs.

Proposal on the appropriation of profit

According to Article 12 of the Postal Organization Act (POA), the appropriation of profit should be determined primarily by the requirements of the business. The key issues are an appropriate capital structure and the financing of investments. Any profit remaining after transfers to reserves is handed over to the owner.

Based on Article 12 of the POA, the Board of Directors of Swiss Post proposes to the Swiss Federal Council that Swiss Post’s profit of 611 million francs be allocated as follows:

– 100 million francs to be deposited in the employer's reserve of the Swiss Post pension fund
– 200 million francs to be distributed to the owner
– 311 million francs to be allocated to the reserves of Swiss Post, the parent company.

Report of the Statutory Auditor on the Financial Statements to the Federal Council

Swiss Post, Berne

As statutory auditor, we have audited the accompanying financial statements of Swiss Post presented on pages 104 to 109 of the financial report, which comprise the balance sheet, income statement and notes for the year ended 31 December 2011.

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2011 comply with the Postal Organization Act.

Report on Other Legal Requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with the Postal Organization Act. We recommend that the financial statements submitted to you be approved.

KPMG AG

Orlando Lanfranchi
Licensed Audit Expert
Auditor in Charge

Stefan Andres
Licensed Audit Expert

Gümligen-Berne, 12 March 2012

Additional information about PostFinance

The following financial statements are based on the principles of the IFRS and include the PostFinance financial statements without including the subsidiaries and associates. Group-internal transactions with other segments (i.e. performance of Post Offices & Sales as well PostMail) were not eliminated.

Income statement

Income statement CHF million	2011	2010
Interest income		
Interest income on receivables due from financial institutions	6	4
Interest income on securities lending and reverse repurchase transactions	22	21
Interest income on interest-bearing amounts due from customers	9	9
Interest and dividend income on FVTPL [1]: designated	–	–
Interest and dividend income on financial assets	1,540	1,513
Interest expense		
Interest expense for customer deposits	–461	–473
Interest expense for amounts due to banks	–1	–1
Interest expense on repurchase transactions	0	0
Net interest result	**1,115**	**1,073**
Change in impairment of financial assets	–83	–22
Losses on payment transactions	–8	–7
Net interest result, net of impairment	**1,024**	**1,044**
Commission income on lending, securities and investment business	119	112
Commission income on other services	44	37
Income from services	542	555
Commission and services expenses	–404	–437
Net services and commission result	**301**	**267**
Net trading income	146	129
Realized gains and losses on financial assets	5	3
Other operating income	–2	–3
Total operating income	**1,474**	**1,440**
Staff costs	–446	–419
General overheads	–426	–438
Amortization	–10	–12
Total operating expenses	**–882**	**–869**
Operating profit	**592**	**571**
Net investment income from associates	1	2
Result from intra-Group financing	–2	0
Profit for the year	**591**	**573**

1 FVTPL: financial assets at fair value through profit or loss (designated).

Balance sheet

Balance sheet CHF million	31.12.2011	31.12.2010
Assets		
Cash and cash equivalents	2,024	1,645
Receivables due from financial institutions	31,461	13,103
Interest-bearing amounts due from customers	81	505
Derivative financial instruments	127	191
Financial assets	69,269	72,621
Shareholdings	15	15
Property, plant and equipment	34	26
Prepaid expenses	853	878
Other assets	473	313
Total assets	**104,337**	**89,297**
Liabilities		
Due to financial institutions	1	312
Due to customers on deposito and investment accounts	34,183	29,320
Other amounts due (to customers)	68,850	58,331
Derivative financial instruments	10	4
Prepaid expenses	71	88
Provisions	5	4
Other liabilities	129	133
Total liabilities	**103,249**	**88,192**
Allocated equity [1]	500	500
Fair value reserves	– 12	14
Hedging reserves	9	18
Profit for the year	591	573
Total equity	**1,088**	**1,105**
Total equity and liabilities	**104,337**	**89,297**

1 Since 1 January 2003, PostFinance has had 500 million francs in equity available to cover fluctuations in the fair value of available-for-sale financial assets.

Additional information

Accompanying documents

In addition to the Annual Report, the 2011 report includes the following documents:

– 2011 financial report (management report and annual financial statements)
– Table of key figures (comprehensive set of key data)
– GRI index (contents in accordance with the requirements of the Global Reporting Initiative)

These documents are available in electronic form at www.swisspost.ch/annualreport.
The Annual Report is available also in printed form.

Ordering the printed Annual Report and financial statements

Additional print versions of the Annual Report and financial statements can be ordered online at www.swisspost.ch/order-annualreport. Employees of Swiss Post may order copies through the usual channels.

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Photographs
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Walter Stähli and Franck Schirmer,
phorbis Communications AG, Basel

Proofreading and translation
Swiss Post Language Services, Berne

Printer
Neidhart + Schön, Zurich, Switzerland

ISSN number 1661-9501

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Five-year overview of key figures

		2011	2010	2009	2008	2007
Results						
Operating income	CHF million	8,599	8,736	8,558	8,980	8,712
generated in competition	% of operating income	84.0	83.2	80.8	79.6	78.3
generated abroad	% of operating income	12.7	13.9	16.3	17.9	20.0
Operating result	CHF million	908	930	721	812	866
generated abroad	% of operating income	5.7	2.6	4.9	4.0	7.0
Group profit	CHF million	904	910	728	825	909
Equity	CHF million	4,879	4,224	3,534	2,857	2,470
Value generation						
Economic value added	CHF million	390	452	272	416	559
Added value generated	CHF million	5,187	5,268	4,983	4,875	4,925
to employees	CHF million	4,026	4,076	4,032	3,873	3,851
to creditors	CHF million	14	20	14	22	20
to public sector	CHF million	13	12	9	10	13
to owner	CHF million	200	200	200	170	300
to company	CHF million	934	960	728	800	741
Jobs						
Headcount (excluding trainees)	Full-time equivalents	44,348	45,129	44,803	44,178	43,447
abroad	%	15.0	16.1	15.6	14.2	12.7
Trainees	Persons	1942	1,824	1,690	1,571	1,473
Jobs in Switzerland	Swiss Post employees per 100 employees	1.31	1.34	1.33	1.30	1.29
Jobs in peripheral regions	Persons	20,418	20,603	20,776	21,319	21,069
Turnover rate (voluntary departures)	As % of average headcount	3.9	3.5	3.1	5.3	4.7
Notice given by employer for economic reasons	Persons	95	116	99	97	110
Employment conditions and remuneration						
Employment in accordance with Swiss Post CEC	Full-time equivalents as %	64.3	65.4	66.5	71.2	74.1
Minimum salary Swiss Post CEC	CHF per annum	44,823	44,379	44,071	42,746	41,826
Average salary for employees	CHF per annum	81,293	81,082	80,361	78,141	77,160
Average remuneration paid to members of Executive Management	CHF per annum	504,986	495,590	491,200	492,781	487,611
Salary bandwidth*	Factor	6.2	6.1	6.1	6.3	6.3
Health management						
Occupational accidents	Number per 100 FTEs	6.9	7.5	6.5	6.3	5.5
Days lost to illness and accidents	Days per employee	10.8	10.5	10.4	10.7	11.0
Diversity						
Men	%	52.3	52.1	51.5	51.5	51.1
Women	%	47.7	47.9	48.5	48.5	48.9
Nationalities represented	Number	140	133	117	121	119
Women in Board of Directors	%	22.2	22.2	25.0	20.0	22.2
Women in Executive Management	%	0.0	0.0	0.0	0.0	0.0
Women in top management	%	7.6	8.2	8.7	7.7	9.3
Women in lower and middle management	%	22.1	21.5	20.5	20.2	–
Demographics						
Average age of workforce	Years	44.4	44.2	43.4	43.2	42.9
Resource consumption						
Energy consumption	GJ	3,131,103	3,224,440	3,158,211	3,265,716	–
direct energy consumption (scope 1)	GJ	2,561,346	2,593,125	2,520,381	2,579,871	–
renewable share	%	0.91	0.47	0.47	0.40	–
Indirect energy consumption (scope 2–3)	GJ	569,757	631,315	637,830	685,845	–
renewable share	%	94	93	96	92	–
Carbon footprint (scope 1–3)						
Carbon footprint	t CO_2 equivalent	440,391	453,360	453,502	460,783	–
CO_2 intensity of value added	t CO_2 equiv. per CHF million of value added	84.9	86.1	91.0	94.5	–
CO_2 intensity of jobs	t CO_2 equivalent per full-time job	9.5	9.6	9.7	10.1	–

* Factor = Average remuneration paid to Members of the Executive Management vs. average employee salary.

Additional key figures and explanations can be found in the table of figures, which is available for downloading at www.swisspost.ch/annualreport.

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071.44 1 EN (230 593) 03.2012 K